For Official Use Only

FOREIGN
BROADCAST
INFORMATION
SERVICE

Daily Report
Supplement

East Asia

FBIS-EAS-90-072-S
Friday
13 April 1990

For Official Use Only

East Asia
SUPPLEMENT
For Official Use Only

FBIS-EAS-90-072-S

CONTENTS

13 April 1990

NOTICE TO READERS: An * indicates material not disseminated in electronic form.

JAPAN

United States

Nakayama, Kaifu on 'New Channel' for U.S. Talks *[NIHON KEIZAI SHIMBUN 10 Apr]* 1
Ministry Adjusts Budget for SII Interim Report *[THE DAILY YOMIURI 7 Apr]* 1
Firmer Kaifu Leadership Urged in SII Issues *[ASAHI EVENING NEWS 3 Apr]* 2
Abe Reportedly 'Unhappy' With Handling of SII *[ASAHI EVENING NEWS 4 Apr]* 2
U.S. Pressures for Economic Change Viewed *[THE JAPAN TIMES 6 Apr]* 2
Kaifu's Remarks on New Body for SII Criticized *[MAINICHI DAILY NEWS 8 Apr]* 3
Column Sees Kaifu Emerging As 'Crisis Manager' *[THE JAPAN ECONOMIC JOURNAL 14 Apr]* 4
Continued Caution Urged Regarding Talks Outcome *[MAINICHI DAILY NEWS 8 Apr]* 5
More Funds Sought To Fulfill SII Commitments *[THE DAILY YOMIURI 11 Apr]* 5
LDP Reacts to Structural Impediments Report *[ASAHI EVENING NEWS 7 Apr]* 6
LDP Gives Officers 'Free Hand' in SII Talks *[MAINICHI DAILY NEWS 1 Apr]* 7
Former Economic Planning Official on SII Talks *[THE DAILY YOMIURI 7 Apr]* 7
Task of Implementing SII Agreement Discussed *[THE DAILY YOMIURI 6 Apr]* 7
Business Praises, Opposition Criticizes SII *[THE JAPAN TIMES 7 Apr]* 8
U.S. Determination Over SII Underestimated *[THE JAPAN ECONOMIC JOURNAL 14 Apr]* 9
MITI Plans Instructions on Large Stores Law *[NIHON KEIZAI SHIMBUN 5 Apr]* 9
Officials Blame U.S. Charges on Misunderstanding *[THE JAPAN ECONOMIC JOURNAL 7 Apr]* 10
Retailers Reverse Stance on Abolition of Law *[THE DAILY YOMIURI 7 Apr]* 10
MITI Minister on Large Store Law Revision *[ASAHI SHIMBUN 8 Apr]* 10
Ministries React to 1990 Trade Estimate Report *[NIHON KEIZAI SHIMBUN 31 Mar]* 11
Business Leaders Protest U.S. Charges on Trade *[THE DAILY YOMIURI 2 Apr]* 11
Prospects of Tax Friction With U.S. Seen *[THE JAPAN ECONOMIC JOURNAL 14 Apr]* 12
Trade Friction Destined To Survive, Thrive *[THE DAILY YOMIURI 8 Apr]* 13
Poll Shows Support for U.S. Trade Stance *[THE JAPAN ECONOMIC JOURNAL 7 Apr]* 14
GATT Rules in Favor of Japanese Products *[MAINICHI DAILY NEWS 4 Apr]* 14
Editorial Reviews Past Five Years of U.S. Ties *[THE JAPAN TIMES 10 Apr]* 15
Plans for U.S. Military Technological Exchange *[NIHON KEIZAI SHIMBUN 9 Apr]* 15

Soviet Union

Official on 'Delicate' Negotiations With USSR *[SANKEI SHIMBUN 9 Apr]* 16
Government Considers Security Talks With USSR *[SANKEI SHIMBUN 9 Apr]* 17
Hamai Industries Resumes Business With USSR *[NIHON KEIZAI SHIMBUN 11 Apr]* 17

East Europe

Contract Signed To Build Oil Plant in Hungary *[NIHON KEIZAI SHIMBUN 9 Apr]* 17

China

Joint Japanese-Chinese Hotel Opens in Beijing *[MAINICHI DAILY NEWS 7 Apr]* 18

South Korea

Legal Status of Koreans in Japan Viewed *[ASAHI EVENING NEWS 5 Apr]* 18
Progress in USSR-ROK Relations Lauded *[MAINICHI DAILY NEWS 5 Apr]* 19

Mongolia

Rinchin Meets Japanese Prime Minister in Tokyo *[MONTSAME to BAKHTAR]* 20
    Rinchin Interviewed in Osaka *[MAINICHI SHIMBUN 7 Apr]* 20
Japanese Envoy Views Democratization *[SANKEI SHIMBUN 1 Apr]* 20
Company To Make Televisions With Japanese Firms *[THE JAPAN ECONOMIC JOURNAL 31 Mar]* 21

Mideast

Foreign Ministry To Promote Middle East Peace *[NIHON KEIZAI SHIMBUN 2 Apr]* 22
Iraq Seeks Financial Assistance for Oil Fields *[NIHON KEIZAI SHIMBUN 6 Apr]* 22

National Affairs

Business Leaders Grow Pessimistic About Economy *[THE JAPAN ECONOMIC JOURNAL 7 Apr]* 23
Paper Reports Economy 'Starting To Look Bleak' *[ASAHI EVENING NEWS 5 Apr]* 23
Uncertainties in Prospects for Economy Viewed *[MAINICHI DAILY NEWS 10 Apr]* 24
* Future of Auto Industry, Exports Examined *[EKONOMISUTO 13 Feb]* 25
Crime Organizations Invest in Stock Market *[THE DAILY YOMIURI 5 Apr]* 28
Kaifu, Defense Chief Differ on Defense Outline *[THE DAILY YOMIURI 10 Apr]* 29
Defense Official Says Soviet Threat Continues *[ASAHI EVENING NEWS 4 Apr]* 30
Defense Official Speaks on Information Command *[YOMIURI SHIMBUN 2 Apr]* 30
* Question Arises About Military Power *[SHOKUN Feb]* 30
Farmers Urged To Raise Productivity, Lower Costs *[ASAHI EVENING NEWS 10 Apr]* 37
Government White Paper Backs Rice Import Ban *[THE DAILY YOMIURI 11 Apr]* 37
Kaifu Cabinet Facing Problems at Home, Abroad *[ASAHI SHIMBUN 5 Apr]* 38
* LDP's Yohei Kono Gaining Influence *[SHUKAN JIJI 24 Mar]* 38
* Influence of LDP Zoku Diet Members Examined *[SEIKAI SHUNJU Mar]* 40
Daily Notes Kaifu's Improving Position in LDP *[THE DAILY YOMIURI 9 Apr]* 43
* Interview Held With LDP's Shin Kanemaru *[TOKYO SHIMBUN 9, 10 Mar]* 44
* Kanemaru Works To Resolve Diet Impasse *[ASAHI SHIMBUN 19 Mar]* 46
JCP Demands Structural Talks 'Stop at Once' *[JPS]* 47
JCP Issues Statement on SII Interim Report *[JPS]* 48
JCP Article on Lithuania Sent to Gorbachev *[JPS]* 48
Efforts To Change International Image Urged *[THE JAPAN ECONOMIC JOURNAL 7 Apr]* 48
* Youth Population Growth Rate at Record Low *[ASAHI SHIMBUN 30 Mar]* 49

MONGOLIA

President on Desire for Trade Pact With U.S. *[Tokyo ASAHI SHIMBUN 8 Apr]* 51
Democratic Union Leader Addresses MDP Congress *[MONTSAME to BAKHTAR]* 52
    Democratic Party Leader Speaks *[MONTSAME to BAKHTAR]* 52
    Religion Discussed *[MONTSAME to BAKHTAR]* 53
Democracy Movement Sets Up Women's Organizations *[MONTSAME to BAKHTAR]* 53
Discontent Over 1981 Secret Concession to USSR *[MONTSAME to BAKHTAR]* 54
'Information' on Issues of 10th MPRP Plenum *[MONTSAME to BAKHTAR]* 54
Deputy Premier Discusses Economic Restructuring *[MONTSAME to BAKHTAR]* 54
Ministers Issue Resolution on Communications *[MONTSAME to BAKHTAR]* 55
Youth Official Previews 'Extraordinary' Congress *[MONTSAME to BAKHTAR]* 55
Revolutionary Youth Union Congress Opens 55
    New Members Attend *[MONTSAME to BAKHTAR]* 55
    Union Secretary Delivers Report *[MONTSAME to BAKHTAR]* 56

CAMBODIA

Son Sann Interviewed on Prospects for Peace *[Tokyo YOMIURI SHIMBUN 4 Apr]* 57

VIETNAM

'Exclusive' Interview With Nguyen Van Linh *[MAINICHI SHIMBUN 6 Apr]* 58

United States

Nakayama, Kaifu on 'New Channel' for U.S. Talks

OW1004134990 Tokyo NIHON KEIZAI SHIMBUN in Japanese 10 Apr 90 Morning Edition p 2—FOR OFFICIAL USE ONLY

[Text] Foreign Minister Nakayama, speaking on Japan-U.S. relations while at the House of Representatives Budget Committee on the afternoon of 9 April, expressed the intention of studying earnestly the possibility of establishing a new channel of consultations between Japan and the United States. He said: "For now, we will have to make efforts so that the Japan-U.S. structural talks may conclude with satisfactory results in July, and then, together with the U.S. Government, we will try to establish a framework for further cooperation." He made this statement in response to a question from the General Secretary of Democratic-Socialist Party Yonezawa, who asked if "it was necessary to set up a new arena of consultations between Japan and the United States, by making the most of economic provisions given in the Article 2 of the Japan-U.S. Security Treaty.

The foreign minister noted that during the previous Japan-U.S. summit President Bush expressed a desire to hold talks where such global issues as the environment, drugs, and international terrorism would be discussed. He further said: "At that time there was a discussion about a need for Secretary of State Baker and myself to take charge of this and create a framework for the consultations."

Prime Minister Kaifu also spoke about the usefulness of Article 2 of the Treaty, saying: "The security treaty as a basic pact of friendship between Japan and the United States deals not only with military aspects but also with politics, livelihood, and the economy. Should we desire to assist each other economically under a free system, we can find a basis for it in Article 2 of the treaty." This remark was given in reply to a question from Mr. Yanosuke Narazaki (of the Progressive Social Democratic Federation).

Meanwhile, speaking on questions related to the Japan-U.S. Structural Impediments Initiative talks, General Secretary of the Japan Communist Party Kaneko criticized the talks severely, and asked if they "did not constitute meddling in domestic affairs." But the prime minister countered the charge flatly, saying: "It is completely wrong to regard them as meddling in domestic affairs."

Ministry Adjusts Budget for SII Interim Report

OW0804214590 Tokyo THE DAILY YOMIURI in English 7 Apr 90 p 8—FOR OFFICIAL USE ONLY

[Text] The Finance Ministry decided Thursday to readjust government ministries' and agencies' "shares" in the nation's budget for public works projects, so that Japan can more efficiently meet U.S. proposals for public park construction and other projects to improve the quality of life for the Japanese people.

For the past seven years, government ministries and agencies have maintained almost the same shares in the nation's budget for public works projects. Shares in the Y6.14 trillion public works projects scheduled for fiscal 1990, for instance, were 49 percent for the Construction Ministry and 16 percent for the Agriculture, Forestry and Fisheries Ministry, the same amounts as they have been.

Finance Ministry officials said they had made it a policy not to change the shares as a result of severe competition among government ministries and agencies for increasing the overall amounts of their annual budgets.

To efficiently meet U.S. proposals made during the Structural Impediments Initiative [SII] talks, however, these shares need to be changed, the officials said.

They expressed concern that some government ministries and agencies, as well as some Diet members supporting the interests of specific government offices, might resist reduction of their shares.

Projects aimed at agricultural development and port construction projects, among other things, will be slowed, they said, because the government has already spent a huge amount of funds on them and because they are not directly related to improving the quality of life for Japanese people.

On the other hand, the government will increase spending on the construction of sewerage facilities and housing projects, among others, the officials said.

Public park construction accounted for only 2 percent of the fiscal 1990 government spending on public works projects. Airport construction held a 1 percent share.

Pay Later Plan Hit

The credit loan industry and the International Trade and Industry Ministry supervising it are strongly opposing any government concession in the Structural Impediments Initiative interim report that installment payment will be allowed for credit cards issued by banks.

Holders of credit cards issued by credit loan companies have long enjoyed the convenience of making payments in monthly installments when they shop with their cards. However, holders of credit cards issued by banks cannot, and the lump sum is deducted from their bank accounts all at once in the month after the purchase.

Japan and the United States agreed in the fourth round of SII talks to permit the installment repayment system for bank credit cards, too. The bank industry welcomed the agreement. An official of a major city bank said the interests of Japanese banks, which are trying to strengthen the serviceability of their credit cards, and the United States. [sentence as published]

Firmer Kaifu Leadership Urged in SII Issues

OW0504042890 Tokyo ASAHI EVENING NEWS in English 3 Apr 90 p 3—FOR OFFICIAL USE ONLY

[Commentary: "Government Again Relies on Worn-Out Trick of 'Gaiatsu'"]

[Text] Prime Minister Toshiki Kaifu, faced with stiff resistance to change from within the government and the ruling party, has used the worn-out trick of falling on "gaiatsu" (external pressure) in working out a package of economic concessions to U.S. demands. The trick, used time and again in the past to forge a semblance of consensus, is to stress that the Japan-U.S. relationship is "in crisis" and that in order to resolve that "crisis" Japan must meet U.S. requests in one way or another.

This time around Prime Minister Kaifu has used even stronger language, according to Chief Cabinet Secretary Misoji Sakamoto. Sakamoto quoted Kaifu as saying, "We must not let Japan-U.S. relations drift to a condition similar to that which existed on the eve of World War II." His "gaiatsu tactic" has apparently worked. By creating a sense of crisis both within the government and the ruling party, he has strengthened his leadership position, thus making up for his disadvantage of being a member of a small faction. But by relying on gaiatsu he has failed to exercise his leadership the way he should. He should have made decisions positively, as he has said he will, for the explicit purpose of promoting "consumer interests" and improving the "quality of life." Instead he has resorted to the same old method of sounding out U.S. intentions and working out concessions on that basis. In other words he has managed to work out a package on the back of America, which has called for Japan to give greater priority to consumer interests.

Kaifu is expected to continue to face resistance as the government prepares to write the final report on the Structural Impediments Initiative (SII) talks in July. The task ahead appears formidable for he will have to exercise greater leadership in translating his decisions into practice. He is also bound to face greater "naiatsu" (internal pressure) in the next few months.

Abe Reportedly 'Unhappy' With Handling of SII

OW0504143490 Tokyo ASAHI EVENING NEWS in English 4 Apr 90 p 3—FOR OFFICIAL USE ONLY

[Text] Prime Minister Toshiki Kaifu, trying to take the lead in the make-or-break trade negotiations with the United States, has stoked the cinders of resentment in the top ranks of the Liberal-Democratic Party (LDP). "Maybe (Kaifu) wants to stress that it is the government, not the party, that is taking the lead, but he is likely to rub the nerves of (former Secretary-General Shintaro) Abe and others the wrong way," said a key member of an LDP faction. Prime Minister Kaifu has sent former Ambassador to the United States Nobuo Matsunaga to Washington as a special envoy to explain Tokyo's position on the Strctural Impediments Initiative (SII) talks now under way in the U.S. capital. But LDP bigwigs, including Abe, are reportedly unhappy about the move because they see the prime minister as trying to strike a bargain with Washington over their heads.

A number of LDP heavyweights, also including Secretary-General Ichiro Ozawa, had been tipped as a candidate for a special envoy. Also, former Prime Minister Noboru Takeshita, who recently met President George Bush, dropped a hint that Abe might be sent to Washington. In an apparent attempt to soothe their feelings Kaifu said, through his secretary, that Matsunaga is his personal emissary sent to "convey my views directly to the U.S. side, not to participate in the negotiations." Chief Cabinet Secretary Misoji Sakamoto also stressed that Matsunaga is not a "government envoy" in the usual sense of the term. Normally such a special envoy is vested with authority to negotiate. An aide to the prime minister said that by sending a former foreign vice minister instead of a career politician, Kaifu tried to demonstrate the government's determination to tackle structural problems, hold LDP leaders in check and play up the role of the Foreign Ministry. Kaifu is coming under pressure from the ruling party, which wants to limit Japanese concessions to the United States on key problems, such as revision or abolition of the Large-scale Retail Stores Law, designed to protect small shopkeepers.

U.S. Pressures for Economic Change Viewed

OW0904025390 Tokyo THE JAPAN TIMES in English 6 Apr 90 p 20—FOR OFFICIAL USE ONLY

[Article by Minoru Tada: "These Talks Are Different"]

[Text] The progress of the Japan-United States Strategic Impediments Initiative talks was reported elsewhere in this newspaper. But what can be said about the talks here is that they are quite different from past negotiations on trade friction between the two countries. The central issue in the past talks was the U.S. trade deficit with Japan, said to have reached $50 billion. The American aim was to pry the Japanese market more widely open to U.S. products and to check the increase of Japanese exports to the U.S. market. In the present talks, the United States is trying to weaken Japan's external competitive strength. It is applying political pressure to force Japan to change its systems and practices. It apparently thinks that arguing economic principles only will not solve the problem. This is not to say that the United States has forgotten its trade deficit with Japan. It is determined to force Japan to reduce that deficit. It is demanding visible results. The red-ink figure must come down.

This writer is a university instructor who wishes to speak from his own experience. Let's liken the passing of a university admission examination to free trade. Student

A (the United States) does not take all the courses (does not produce the necessary goods domestically) and does not study (makes no development effort nor investment, does not study consumer preferences). All he does is to take part-time jobs (financial engineering, speculation, mergers) which are completely unrelated to his studies or involve himself in student club activities (establish multinational corporations). While neglecting what a student normally should do, he insists on getting a degree with honorable mention. He threatens to set the university on fire (retaliate under the Super 301 clause of the 1988 U.S. Trade Act) unless he gets the degree. This is a completely illogical argument. The United States should promptly stop criticizing or attacking others just because it is not satisfied with the others' efforts although the U.S. itself is not doing what it should.

This writer held a long talk with an American assistant secretary of state about 20 years ago when trade frictions were first emerging between our two countries. It was made clear to him that automobiles with left-side steering wheels and large-model cars would not sell well in Japan, so the United States should make the necessary alterations when exporting its vehicles to Japan. The assistant secretary promised to recommend this. Nothing has changed to this day. No Japanese thinks that a car with the steering wheel on the left side carries any special distinction. It's natural that few American cars sell in Japan.

The structural impediments talks are political negotiations in which the U.S., a big power, is applying pressure on Japan to comply with its demands. Bluntly speaking, it is saying that Japan should change its political and economic and social systems, even its culture and traditions. The U.S. says, in effect, that Japan should change the distribution of its national budget, its ministerial powers, its land use system and regional development plans. It is likewise pressing Japan to change its legal systems, commercial laws and business practices. The U.S. is interfering in Japan's internal affairs with a bearing on its very sovereignty.

As a journalist who experienced the last days of the U.S. military occupation of Japan, this writer recalls the absolute authoritiy held by the Supreme Allied Commander Gen. [General] Douglas MacArthur and his directives. To be fair and frank, many of the American demands in the structural impediments talks will favor the Japanese consumer if implemented. Similarly, a great many of the MacArthur directives were intended to establish true democracy in Japan. Still, the use of strong pressure against a country that is on an equal level is unacceptable in the international community. The United States is trying to weaken Japan's competitive power in the economic area. It is also trying to change (weaken) Japanese industries and enterprises into the U.S. type. Meriting respect—and also threatening in a sense—against this background is the paper calling for sweeping reforms in the United States submitted by Illinois Democrat Dan Rostenkowski, chairman of the House Ways and Means Committee, which this writer would like to take up next time.

Kaifu's Remarks on New Body for SII Criticized

OW1004010590 Tokyo MAINICHI DAILY NEWS in English 8 Apr 90 p 1—FOR OFFICIAL USE ONLY

[Text] Prime Minister Toshiki Kaifu has caused a stir by hinting at the need to form a new organization for the successful implementation of steps which were included in the interim report on the bilateral Structural Impediments Initiative. During a nationally televised news conference Friday, speaking about how the changes will be made, Kaifu said, "It is necessary to gain the support and understanding of all concerned, and if necessary we may have to think about a new organization."

Liberal-Democratic Party [LDP] Secretary-General Ichiro Ozawa however denied the need for such an organization, saying, "Japan has a parliamentary system, and the government and the ruling party cooperate and are doing fine. The most important thing is to get the work done."

Another high-ranking member of the LDP later responded to the statement coolly, but apparently surprised, saying, "I never heard about the formation of any new organization, and even if the government cannot gain the support it needs, it is going to have to make the changes anyway."

A government source concluded from some of the reactions that Kaifu went out on a limb when making the statement, and probably went ahead with the inclusion of it in his speech without prior negotiations with other LDP members and government bureaucrats.

A government official who was asked about the nature of such a new organization indicated that there have been no conclusions made yet. But he added, "Domestic changes are, I think, the party's (LDP's) responsibility. Even if diplomacy is under the direction of the prime minister, when it comes to domestic adjustments, the party stands at the center."

What the party faces now, as the center of domestic changes, are two main points.

First of all, the main point that must be addressed is the Large- Scale Retail Store Law.

How will the Ministry of International Trade and Industry and the Ministry of Home Affairs deal with "regulations" that some local and regional governments have set up to protect small retail shops from large retail companies that want to open in their neighborhood?

Second, how will the ministries and agencies deal with the confrontations that are likely to ensue from increases in public spending? Currently, the government budget is portioned out in such a way that the Ministry of Construction receives 70 percent, the Ministry of Agriculture, Forestry and Fisheries 20 percent, and the other ministries and agencies the remainder. But the U.S. has demanded that Japan spend more money on its own people. How will the government realize this?

Deputy Chief Cabinet Secretary Nobuo Ishihara told reporters, "The Economic Planning Agency will take care of adjustments between the concerned ministries and agencies."

Column Sees Kaifu Emerging As 'Crisis Manager'

OW1204061290 Tokyo THE JAPAN ECONOMIC JOURNAL in English 14 Apr 90 p 4—FOR OFFICIAL USE ONLY

["SII—Removing the Trade Barriers" column by Shigeru Wada, JAPAN ECONOMIC JOURNAL staff writer: "Kaifu Shifts From 'Footnote' to Crisis Manager"]

[Text] Toshiki Kaifu was supposed to have been a footnote to history by now. Instead, Japan's prime minister has assumed the role of the nation's "crisis manager", and his political position has never been stronger.

Last August, when the mandarins of Japan's ruling Liberal Democratic Party's selected Kaifu as their leader, he was expected to have been pushed aside once the scandal-plagued party had retained its power in February's lower house elections.

Since then, however, "the trade issue with the U.S. has become so crucial that LDP members have stopped pressuring the prime minister," said Kazuho Tanikawa, LDP deputy secretary general.

And Takeshi Sasaki, profesor of political science at the University of Tokyo, thinks Kaifu has the Americans to thank for that.

Under pressure from Congress, U.S. President George Bush invited Kaifu to Palm Springs for an impromptu summit, raising trade friction with Japan to the level of crisis.

Kaifu responded by taking a lead role in the ongoing Structural Impediments Initiative (SII) talks with Washington.

Almost daily, he has held high-profile discussions at his residence with such officials as Foreign Minister Taro Nakayama, International Trade and Industry Minister Kabun Muto, and Liberal Democratic Party Secretary-General Ichiro Ozawa.

He took a lot of heat at home for allegedly making commitments to Bush during their summit meeting. Since then, however, many political observers—and an increasing number of Japanese citizens—have come around to the idea that structural changes could actually benefit the nation's economy.

In particular, Kaifu threw his weight behind the issue of revising the Large-Scale Retail Store Law. Although he had to pull back from his original pledge to scrap the law, he has held to his promise that he would introduce major changes.

To be sure, the prime minister's standing is still tenuous. His recent strength rests on growing public support and a feeling in the party that Japan would weaken its position with the U.S. by changing hands now.

And in the power politics of the LDP, those are fairly wobbly bases of support.

Still, Kaifu has maneuvered skillfully enough under the support of both Ozawa and former Deputy Prime Minister Shin Kanemaru, de facto leader of the LDP's largest faction.

That has served to quiet much of the lingering opposition to the prime minister within the party. Even faction members allied with former LDP Secretary General Shintaro Abe—Kaifu's most vociferous critic—have been conspicuously silent.

That, in turn, has allowed Kaifu to devote most of his time to the SII talks, in effect, gaining political capital by making use of U.S. pressure.

The strategy seems to have paid off.

According to a Nikkei telephone survey conducted March 16-19, support for Kaifu was 45.7 percent, up 7.8 percentage points from four months ago.

At the same time, 47.4 percent of the polled said they totally or basically agreed with U.S. demands on the SII issue.

But public opinion holds less weight in Japan than in the U.S., where, for instance, Bush's political strength is largely measured out in voter surveys.

And Kaifu's strong role in SII could yet backfire if the opposition parties make an issue of his making concessions to the U.S.

Finally, there is little guarantee that the U.S. will ease its pressure on Japan, even after a basic SII agreement is signed. Kaifu could be blamed for that.

These possible developments could revive factional conflict within the party, which could undermine the prime minister's position.

Thus, Kaifu needs continued success in trade negotiations with Washington to keep up his momentum, one LDP members said.

In any case, many analysts say the sense of crisis prevailing in Japanese political circles should guarantee a cease-fire among the LDP factions until at least July, when the ongoing SII talks wind up.

And if the talks are viewed as a success, Kaifu may survive until his current term expires in October 1991, LDP sources say.

If he doesn't, the country will be the real loser, says former Fuji Bank President Takuji Matsuzawa, now vice chairman of the Federation of Economic Organizations.

"A failure by a Japanese prime minister is not a personal affair," Matsuzawa says, "but a failure for Japan itself."

Continued Caution Urged Regarding Talks Outcome

OW0904235790 Tokyo MAINICHI DAILY NEWS in English 8 Apr 90 p 2—FOR OFFICIAL USE ONLY

[Editorial: "Clash Averted in SII Talks"]

[Text] The Structural Impediments Initiative [SII] talks held in Washington between the United States and Japan have ended and an interim report has been issued simultaneously by both sides. While originally scheduled for two days, the marathon talks went to four days but despite the difficulties, a landmark agreement was reached and this is to be welcomed.

President George Bush welcomed Japan's contribution to the interim reports as "the first major step in a process that will include a final SII report in July as well as implementation and follow-on." This is, however, a new experiment by both sides looking into each other's economic structure as they seek to draw up common rules. The American side too has problems, such as reducing the fiscal deficit, which it must keep foremost in mind.

Moreover, if a destructive bullet called Super 301 is hurled against Japan while the SII talks are continuing, the atmosphere of the talks will be endangered. President Bush needs to do his best to restrain the ultraprotectionists in the American Congress from running wild.

What the United States strongly demanded during the talks this time were abolition of the Large-Scale Retail Store Law, expansion of public works spending, and abolishment of exclusionary business practices through a revision of the Anti-Monopoly Law.

Japan's proposal in regard to the Anti-Monopoly Law was smoothly included in the interim report. A 10-year program will be drawn up for expansion of public works spending but the exact figures were not included in the final report.

Rough sailing continued to the end on the Large-Scale Retail Store Law which is looked upon by the United States as a symbol of the closed nature of Japan's distribution system. The United States demanded its complete abolition. It was finally decided that the law would be revised and not abolished because of strong domestic opposition. The law will be basically restudied three years from now and an analysis made of the steps that are required.

Upon looking at the interim report, the impression is received that Japan made concessions one-sidedly to the United States but there is also a view that the proposals taken up on the SII talks will help improve the quality of life in Japan.

Attention is drawn to the fact that the announcement of the interim report will not defuse the economic friction between the two countries.

This is the year of midterm elections for the U.S. Congress. Next year is the 50th anniversary of the start of the Pacific War. The year after that will see another U.S. presidential election.

Of considerable concern here is the trend of American public opinion. With the fading of East-West confrontation, particularly between the Soviet Union and the United States, Japan is tending to be looked upon as a threat, a country with a huge excess in trade that is actively engaged in investment activities in the United States.

Public opinion surveys by the NEW YORK TIMES in recent years show a gradual worsening of sentiment toward Japan. The big problem is how this "feeling of danger" in the United States can be eased. In that sense, the American-Japanese SII talks must not end in failure. If a clash should occur between the two countries over these talks in the future, Japan will suffer heavy damage but the United States will also be hurt. In such a case, protectionism will be strengthened in the United States and demands will rise for trade controls. This will eventually lead to the diminishing of world trade.

Such a contingency must be avoided. Great care should be taken not to light the fuse to emotional nationalism in both countries.

Finally, no optimism is warranted just because the interim report has been issued. The peak has not been crossed. As long as a big trade imbalance exists between the two countries, trade friction will arise in the future also. This needs to be clearly understood.

The important thing for Japan is "to attach importance to the consumers" domestically while "safeguarding the liberal trade system" externally.

More Funds Sought To Fulfill SII Commitments

OW1304055090 Tokyo THE DAILY YOMIURI in English 11 Apr 90 p 8—FOR OFFICIAL USE ONLY

[Text] The Construction Ministry hopes to expand its spending on public works projects by 10 percent annually over a 10-year period while the Transport Ministry seeks a Y2 trillion to Y2.5 trillion budget for a five-year airport expansion project starting in fiscal 1991, officials of both ministries said Monday.

The measures are planned to honor the government's commitment made in a joint interim report, compiled recently by Japan and the United States, on the recently concluded Structural Impediments Initiative [SII] talks.

The Construction Ministry had previously mapped out administrative guidelines to be accomplished by the year 2000 for urban housing floor size, sewerage systems and parks.

Under the guidelines, the ministry planned to increase the average housing floor size for a family of four to 91 square meters in the case of condominiums and 123 square meters for houses. As of fiscal 1988, this standard had been reached in 33 percent of applicable housing categories.

Also outlined were making 70 percent of all housing covered by sewerage systems—40 percent of housing had met this goal by fiscal 1988—and providing park acreage to the extent of 10 square meters per urban resident, although only 5.2 square meters per person existed as of fiscal 1988.

The guidelines were based on the government's four national development plan and on the ministry's own long-term development project.

To achieve these targets, original projections called for public works projects totaling an estimated Y341 trillion. The estimates were based on 1980 prevailing prices.

However, as spending on public works has been frozen since fiscal 1982, the targets have not been met. The ministry accordingly regards as necessary its proposed annual 10 percent rate of public works spending over the 10-year period beginning in fiscal 1991.

In another step to help reach the targets, the ministry plans to formulate by June a new five-year plan calling for the expansion or improvement of sewerage systems, urban parkland, traffic safety systems and space for beaches.

However, the Finance Ministry's adamant opposition to more than a token increase in public works investment, a reluctance in part attributable to fear of increasing the government deficit and spurring on inflation, suggests to observers that the plan may be hard to implement.

In the final report on the SII talks, to be completed by July, the government is obliged to state the specific figure of planned founding for public works spending over the 10-year period beginning in fiscal 1991.

Extensions Being Considered

Finance Minister Ryutaro Hashimoto told the Diet Monday that the Finance Ministry is considering extending both the scope and the duration of seven public works projects scheduled for completion from fiscal 1991 to fiscal 1993.

The projects include building new roads and improving others and afforestation to prevent flooding. The first projects is slated for completion in fiscal 1992; the second, in fiscal 1991.

LDP Reacts to Structural Impediments Report

OW0904003190 Tokyo ASAHI EVENING NEWS in English 7 Apr 90 p 3—FOR OFFICIAL USE ONLY

[Text] The Structural Impediments Initiative (SII) negotiations with the United States spotlighted the current situation within the Liberal-Democratic Party (LDP) which was caught between policy demands and voters on the matter of abolition of the Large-Scale Retail Stores Law.

The joint meeting of the LDP's Executive Board and Policy Board accepted the interim SII report Friday after debating the matter for an hour. This was because the word "abolition" of the retail stores law, which Diet members representing commercial and industrial interests feared most, was not included in the interim report. It was also because no election is coming up in the near future. There was also the fact that more party members were wondering if just voicing opposition to revision-abolition of the law was enough.

Concerning revision-abolition of the law, the party's Commerce and Industry Committee confirmed opposition to abolition; there were opposing opinions within the Economic Adjustments Special Study Committee also.

On the other hand, there are Diet members who wonder if the advance of large-scale retail stores will really deal a big blow to small and medium stores. For instance, a former Cabinet member from the Chugoku area had his secretary check the real feelings of the chairmen of two Chambers of Commerce and Industry in his electorate. His secretary reported that both said the law wouldn't last another three years. In effect, they wanted a preparatory period before large-scale stores were allowed in as well as aid from the central and local governments. There are even Diet members who say that if large-scale stores are rejected, customers will go elsewhere.

U.S.-Japan relations apparently applied brakes on the opposition of the Diet members to abolition of the law. But the only one within the government and LDP who openly approved of revision of the law, including abolition, was Home Affairs Minister Keiwa Okuda.

A Diet member from the Tokyo electorate pointed out that siding with consumers would make him popular, but consumers did not necessarily vote for him, whereas shop owners could be depended on to vote for him in elections.

On the other hand, there are Diet members who say that the February general election results showed that farmers and shop owners are no longer as loyal to their organizations when voting as before.

LDP Gives Officers 'Free Hand' in SII Talks

OW0204130790 Tokyo MAINICHI DAILY NEWS in English 1 Apr 90 p 1—FOR OFFICIAL USE ONLY

[Text] Liberal-Democratic Party legislators on Friday decided to give a free hand to the four top LDP officers, including Prime Minister Toshiki Kaifu, who will be dealing with the United States in the Structural Impediments Initiative talks which start April 2. The other three officers then pledged to back Kaifu in his final approach to the talks. Despite this, eventual decisions have been noticeably delayed due to strong concern and even opposition within the party. The main worry, as has become evident in discussions in the party's research commission on economic issues chaired by Toshio Yamaguchi, is over the revision or abolition of the Large-Scale Retail Store Law, which Kaifu recently hinted at abolishing by 1993. One party member is reported to have said, "If the government begins working to abolish the law, it will be war."

Small-and medium-sized store owners hold considerable power in the constituencies of many LDP members, leading another member to say, "If we accept every request of the U.S., the party will inevitably lose much of its support base." The Commerce and Industry Division of the LDP amd legislators hailing from large cities have already expressed their staunchest support for small-and medium-sized stores by opposing abolition. In addition to the concern over the large store law, many are worried about the unusual method by which the negotiations will be caried out this time. In most instances involving foreign affairs, the Foreign Ministry is charged with responsibility for negotiations upon informing the party of what proposals or concessions it should make. This time the party is left out in the cold about what will be done, and further, the full responsibility for the government proposals has been placed in the hands of the top four officers of the LDP. One of the them called the decision to take full responsibility "a gamble."

Although the meetings this time have a direct bearing on domestic issues, it seems that some members have just given up, as one executive official quipped, "This is foreign diplomacy," while the leader of the faction of Kiichi Miyazawa lamented, "The LDP is easily pressured by other countries." The responsibility, according to one of the executive officers, includes coming up with details of and procedures for making government proposals and concessions. But he admits, "this may make it easier for the premier, but if he goes too far, it may give rise to some disagreement."

Former Economic Planning Official on SII Talks

OW0804194190 Tokyo THE DAILY YOMIURI in English 7 Apr 90 p 9—FOR OFFICIAL USE ONLY

["Excerpts" of an interview by YOMIURI SHIMBUN with Sumiko Takahara, former director general of the economic planning agency; date and place not given]

[Text] Question: As a consumer, what do you think about the progress that has been made in the Japan-U.S. SII [Structural Impediments Initiative] talks?

Answer: I have two points of dissatisfaction. One is the government's failure to act on the consumer's behalf before the United States raises points of contention. Japanese consumers will benefit if the government seriously reviews the Large-Scale Retail Stores Law and adjusts commodity prices, which are high compared to those of other industrialized countries. The government did not act on these problems until it was pressured by the United States to end trade disputes. I am also dissatisfied with the U.S. Government's high-handed approach to negotiating. The United States is not justified in seeking solutions to problems rooted in Japan's tradition and culture at bilateral negotiations. Such problems should be discussed at multilateral talks.

Q: What do you think about the review of the Large-Scale Retail Stores Law?

A: The government should show the public how the consumer will benefit if the law is abolished. The number of small shop owners is tiny compared to the number of consumers. That the government cannot abolish the law because of interference from small store owners' interest groups shows that it has not acted on the consumer's behalf. Since the nation's industrial structure is constantly changing, small shop owners need to adapt to new business climates.

Q: As director general of the EPA [Economic Planning Agency] you were determined to close the gap between commodity prices in Japan and other countries. Do you think you were successful?

A: I compiled a package of 52 measures to cope with the high living cost in this country. Even if commodity prices are lowered, however, Japan's imports from the United States will not necessarily increase. If the SII agreements do not bring about effects originally desired by the United States, some people in that country may then blame consumers in Japan for not buying U.S. products.

Q: Will the outcome of the SII talks change the course the nation's economy will take in the future?

A: No, they will not seriously affect the future course of our economy because the basic economic structure will not change quickly in the short term.

Task of Implementing SII Agreement Discussed

OW0904044990 Tokyo THE DAILY YOMIURI in English 6 Apr 90 p 8—FOR OFFICIAL USE ONLY

[Text] An agreement reached between Japan and the United States in this week's Structural Impediments Initiative [SII] talks has left the Japanese government with the difficult task of implementing it. The following are areas the government must now address:

Large-Scale Retail Stores Law

The United States accepted the Japanese proposal that the law be revised within the next two years to give large retail stores access to major cities more easily. The diffcult part lies in distinguishing major cities from nonmajor cities. So far several ideas have been proposed. One idea gives the large stores free access to the top three cities: Tokyo, Osaka and Nagoya. Another allows free access to cities with more than 1 million residents.

As an interim measure, the International Trade and Industry Ministry [MITI] will issue guidelines in May. A report issued by a MITI council last June noted that it can take as long as 10 years for a large retail store to open and recommended shortening the time to two years. MITI now recommends cutting it even further—to one and a half years. MITI also decided to allow the floor space used for selling foreign goods to be expanded freely as long as the expansion is not excessive. MITI also plans to set up a system for keeping tabs on the stores to make sure its rules are observed.

Public Investment

Eight public works projects scheduled to end in fiscal 1990 will be continued for several years, and a 10-year plan of comprehensive public works projects will go into effect. The budget for the plan will be covered in the final report from the SII talks in July. The agreement makes it difficult for the government to form budget policies curbing financing for public works. The Finance Ministry explained that prolonging the projects will not burden future fiscal budgets because the budgets can be adjusted to cover the continued projects.

Land Use

To aid the conversion of farmland into housing lots, the government is prepared to apply the same taxes on farmland in urban areas as it does on housing lots in the same areas. The government also plans to come up with ways to urge businesses to utilize their idle land. To this end, the government plans to form a subcommittee within the Tax Commission to review that land tax system. The government plans to submit bills during the current Diet session to promote the use of idle land. Originally the govenrment intended to impose the same tax on farmland in Tokyo, Osaka and Nagoya as it does on housing lots. Last December, however, the Liberal Democratic Party [LDP] revised the plan so that it would only apply to the 23 densely populated wards of Tokyo. The final decision on this plan will be made at an LDP tax system research council meeting this summer. Farmer-backed Diet members and the business commuinty are expected to strongly object to the plan.

Antimonopoly Law

The Fair Trade Commission [FTC] intends to revise the Antimonopoly Law in fiscal 1992 to double the penalties. Currently, the penalty against manufacturers is 2 percent of their sales. The task of drafting a bill amending the law is expected to speed up after the final SII report is released in July. The FTC predicts that enforcement of the amended law may come as early as April 1991. The FTC is waiting for the passage of the fiscal 1991 budget before increasing the commission's inspection staff by 25 people. An FTC subcommittee is scheduled to release in June reports concerning the differences between domestic and overseas prices and ties—keiretsu ties—between companies. Based on the reports, the FTC will formulate guidelines by the end of the year for judging the fairness of business transactions.

Business Praises, Opposition Criticizes SII

OW0904032190 Tokyo THE JAPAN TIMES in English 7 Apr 90 p 9—FOR OFFICIAL USE ONLY

[Text] Most business leaders Friday praised the Japanese and U.S. governments for settling the Structural Impediments Initiative [SII] disputes, but leaders of an organization of small distributors strongly objected. Eishiro Saito, president of Keidanren, the Japan Federation of Economic Organizations, told reporters that both governments seem to have made maximum efforts not to let the already troubled bilateral relationship deteriorate further. In order to prevent further escalation of anti-Japanese sentiment in America, Japanese industries had no choice but to make some concessions, Eiji Suzuki, chairman of the Japan Federation of Employees' Associations (Nikkeiren), said.

Most business leaders welcomed the planned revision in the Large-Scale Retail Store Law and expressed hope that the Japanese government will move toward abolishing the law eventually. Most of the agreements between the two governments will benefit Japanese consumers and will conform with national interests, they said. Some asserted that Japan should no longer depend on foreign pressure for domestic reforms but should carry out such reforms voluntarily. In contrast, Rokuro Ishikawa, chairman of the Japan Chamber of Commerce and Industry (Nissho), expressed strong dissatisfaction with the bilateral accord, which will exempt large cities from application of the Large-Scale Retail Store Law. Pointing out that some 1.6 million Japanese retail stores have only one or two employees each, Ishikawa claimed that many will be forced into bankruptcy if large retailers were allowed to join regional shopping centers freely and without limitations.

Opposition parties expressed dissatisfaction over the interim report on the Structural Impediments Initiative talks Friday, saying the government has merely shelved the fundamental trade problems between Japan and the United States. The Japan Socialist Party [JSP] said in a press release that the government offered compromises without suggesting concrete measures or policies for solving the problems. While praising the government's 10-year plan to increase public works spending, the JSP criticized as insufficient its pledge to revise the Large-Scale Retail Store Law and the Antimonopoly Law. Komeito said the resolutions in the midterm report will not solve the fundamental problems between the two countries. It said revision of the Antimonopoly Law will benefit the public but revision of the large store law will hurt small and medium-size stores.

The Japanese Communist Party called U.S. demands made during the talks interference with Japan's internal affairs and criticized the Japanese government for "obeying" the United States. It insisted that the report should be nullified and the SII talks discontinued. The party criticized the report for omitting what it called the fundamental cause of trade friction between the two countries—America's budget and trade deficits and Japan's pattern of overwork. The Democratic Socialist Party criticized the Japanese government for giving in to the U.S. without conducting full discussions and establishing a consensus in Japan.

U.S. Determination Over SII Underestimated

OW1304014090 Tokyo THE JAPAN ECONOMIC JOURNAL in English 14 Apr 90 p 8—FOR OFFICIAL USE ONLY

[Editorial: "Miscalculations on SII"]

[Text] The U.S. and Japanese Governments reached agreement on correcting Japan's structural barriers to foreign goods and businesses after difficult negotiations in Washington last week. But President Bush was quick to state that the agreement is only a provisional one and the Japanese Government is anticipated to take further steps on structural issues.

For Japan, the negotiations were much more difficult than expected because Japanese officials failed to grasp the depth of American feeling in asking Japan to deregulate the retail sector and boost public investment, among other things. Japanese officials expected their U.S. counterparts to be satisfied if Japan promised substantial relaxation of the Large-Scale Retail Store Law, stopping short of its outright abolition. But the U.S. Government insisted that a review of the law, including its possible scrapping, be made three years from now.

After all, the Japanese Government and the ruling Liberal Democratic Party underestimated the Bush administration's determination to take initiatives in resolving structural issues with Japan, as signified by President Bush's rather extraordinary meeting with Prime Minister Kaifu in early March. But Japan's response was lukewarm. Even worse, the way Japanese bureaucrats dealt with the question revealed how they kept their respective jurisdictional interests a top priority, instead of doing what is good for the nation as a whole.

The Finance Ministry, for example, was more eager to strengthen its authority over fiscal management through expanded public investment, while the Ministry of International Trade & Industry reportedly acquired power to draw lines delineating areas to be exempted from the large-store law.

Another matter of concern is whether the government and the various political parties are at all aware that a large segment of the nation welcomes U.S. demands, which they say support the interests of consumers and urban inhabitants more than any Japanese political party does.

Stirring up even more apprehension is the possibility of the emergence of nationalistic sentiment condemning U.S. demands as unreasonable intervention. Those people who may be taken over by such sentiment should be reminded that the Structural Impediments Initiative [SII] talks are a two-way undertaking, with the U.S. also supposed to heed Japanese calls for changes and improvements in the American system. The reality is that unless both make changes in their domestic systems, the two integrated economies can no longer be managed adequately.

MITI Plans Instructions on Large Stores Law

OW0704041590 Tokyo NIHON KEIZAI SHIMBUN in Japanese 5 Apr 90 Morning Edition p 5 —FOR OFFICIAL USE ONLY

[Text] The Ministry of International Trade and Industry [MITI] plans to issue instructions to all local governments this month, requiring the eased application of the Large-Scale Retail Stores Law. This action is a follow-up to the plan submitted to the Fifth Structural Impediments Initiative (SII) talks related to the easing of restrictions prescribed under the law. In its instructions, MITI will reaffirm that when distribution enterprises, including foreign companies, acquire an existing retail store, they will not need to go through the process of a so-called application adjustment. The instructions will also call for shortening the application adjustment period to one and a half years. New or additional establishment of store space of up to 100 square meters will be exempt from the application adjustment process if it is intended for the sale of imported products.

To ensure faithful observance of the instructions by local governments, MITI is considering setting up a "Large-Scale Retail Stores Law Implementation Supervision Headquarters" (tentative name) under MITI and local trade and industry bureaus. MITI has already decided to create in July, under its Industry Policy Bureau, a "Distribution Industry Division" to be charged with handling application adjustments for opening retail stores. The number of personnel in MITI and local trade and industry bureaus handling this function will be increased by 10 in the autumn. MITI plans to reinforce its inspection structure after issuing the instructions, because of the possibility that local governments may persist in adhering to strict regulations under the law's provisions or that trade adjustment councils may remain unclear in reviewing applications.

The Implementation Supervision Headquarters will maintain close contact with local governments, local chambers of commerce, and local trade and industry councils, and will have the function of providing guidance so application adjustments for store openings may be speeded up and concluded in a period of one and a half years. Furthermore, the instructions will state that even during the store opening application period, applicants may proceed with matters unrelated to the Large-Scale Retail Stores Law, such as procedures pertaining to the Basic Construction Law and the City Planning Law. During that period applicants will be allowed to partake in activities of enlisting tenants for their planned stores. MITI will also urge local governments and chambers of commerce to confirm their understanding of these provisions.

In its instructions MITI plans to make clear that when a foreign-invested distribution enterprise acquires an existing large-scale retail store, it will be exempt from all application adjustment procedures. The instructions envisage a maximum easing of restrictions in the framework of the existing Large-Scale Retail Stores Law. New or additional establishment of stores of up to 100 square meters in floor space will be free from any restrictions. Trade adjustment councils will be required to conduct their reviews openly, and to periodically make public their record of actions taken on store opening applications. The instructions will be issued before the end of this month, after being referred to the Industrial Structure Council, an advisory agency of the MITI, for review. Enforcement of the instructions will begin in May.

Officials Blame U.S. Charges on Misunderstanding

OW0704170690 Tokyo THE JAPAN ECONOMIC JOURNAL in English 7 Apr 90 p 3—FOR OFFICIAL USE ONLY

[Text] Japanese Government officials expressed strong dissatisfaction toward the report issued Friday in Washington by the U.S. Trade Representative's [USTR] office accusing Japan of imposing trade barriers on 35 items. They said the bulk of the alleged barriers contained in the report is based on U.S. misunderstandings about Japan's industrial and trade policies. Foreign Ministry officials said that Tokyo will not enter into any trade negotiations premised on the U.S. imposing retaliatory measures on Japan. They were commenting on the prospect of Japan being cited as one of the new Super 301 countries for the second year in a row.

Japanese officials were especially nervous about the fact that at the beginning of the report, the USTR cited the Structural Impediments Initiative (SII) talks, which will soon release an interim report. The officials are sensing pressure from Washington on the interim report, since the U.S. Congress may newly cite Japan's alleged structural problems, such as its closed distribution system and "dango" bid-rigging system, under the Super 301 clause in the event that the SII talks prove unsuccessful. Non-tariff trde barriers concerning the amorphous alloy and shipbuilding businesses were cited in the new report, while a tariff barrier on tobacco, which was listed last year, were excluded. The Ministry of International Trade and Industry refutes the U.S. claim that Japan is slowing a patent-approval procedure on a U.S. amorphous alloy-related invention, while promoting its own technology and giving subsidies to domestic companies. The Ministry of Transport also said that Japan observes regulations in the international community, denying the existence of the alleged export subsidies for its shipbuilders.

Retailers Reverse Stance on Abolition of Law

OW0804203390 Tokyo THE DAILY YOMIURI in English 7 Apr 90 p 8—FOR OFFICIAL USE ONLY

[Text] The head of a national federation of small- and medium-scale store owners reversed his stance against abolition of the Large-Scale Retail Stores Law on Thursday. Katsuichi Yamamoto, chief of the board of directors of the All Japan Shopping Center Promotion Association (Zenshinren), changed his objection after learning that the interim report of the Japan-U.S. Structural Impediments Initiative talks would be unlikely to suggest abolition of the law. "It may be unavoidable if the law will be abolished 10 years later," said Yamamoto at a press conference held Thursday.

Zenshinren was advocating opposition to abolishment of the law to protect the interests of employees and owners of small- and medium-sized stores. Yamamoto said it would be extremely difficult for them to change their jobs if their stores were closed down as a result of abolishment of the law within the next two or three years.

With the federation changing their objections to abolishment, political observers think it likely that revisions to the law may be made earlier than expected.

"We feel relieved as the term 'abolition' will most likely be not included in the interim report," said Yamamoto." We must change naturally as a result of the request of the age," he added, admitting the possibility that the law may by repealed in the future.

Yamamoto said the federation would not oppose revisions to the law if reasonable measures such as increased subsidies and relief plans for small- and medium-sized store are proposed.

He added that a proposal to exempt large-scale stores in large cities from the law would not be opposed as the shopping centers which would be built in such cities would give access to small- and medium-scale stores.

MITI Minister on Large Store Law Revision

OW0904051090 Tokyo ASAHI SHIMBUN in Japanese 8 Apr 90 Morning Edition p 9 —FOR OFFICIAL USE ONLY

[Text] Minister Muto of the Ministry of International Trade and Industry [MITI] held talks with business leaders in central Japan on 7 April and then met with reporters at a hotel in Nagoya City. At this meeting, he disclosed that flexible measures would be taken so the designation of "specific areas" would be based, not on administrative divisions, but on reasonable standards, including the density of population and commercial facilities. The designation of "specific areas" is one of the major points in the deregulations of the Large-Scale Retail Store Law [LSRSL] agreed at the Japan-U.S. Structural Impediments Initiative [SII] talks.

According to the interim report of the SII talks, the LSRSL will be revised at the next Diet session; another review of the law will be made by 1993. In reviewing the law, efforts will be made to designate special areas. Among the areas mentioned are the three metropolitan areas of Tokyo, Osaka, and Nagoya, and also other cities designated by the government ordinance. However, the report does not include definite names of localities or standards for designation. Minister Muto stressed: "I have never given definite names of localities as candidates for special areas. Rather than listing definite names, we should consider drawing a line of demarcation by deciding on reasonable standards, based on the density of population and commercial facilities."

Ministries React to 1990 Trade Estimate Report

OW0104110190 Tokyo NIHON KEIZAI SHIMBUN in Japanese 31 Mar 90 Evening Edition p 1 —FOR OFFICIAL USE ONLY

[Text] Regarding the 1990 edition of the National Trade Estimate Report on Foreign Trade Barriers issued by the U.S. Trade Representative, the International Trade and Industry Ministry is reacting strongly to the report, claiming that "most of the items in the report are based on the misunderstanding of Japan's trade and industrial policy." Commenting on the prospect of the U.S. Government applying the second application of the Super 301 provision of the Omnibus Trade Act against Japan in late April based on the report, the Foreign Ministry is holding the U.S. side in check, asserting that "we will not comply with any U.S. calls for negotiations on the premise of sanctions."

The annual report indicated specifically the Structural Impediments Initiative [SII] talks at a time when Japan's preparations of an SII interim report is at a final stage and the government is paying particular attention to this. The government is wary of the report, saying that "with the U.S. Congress' moves to introduce bills to apply the Super 301 provision against Japan's structural issues, including the distribution system and the system of affiliated enterprises if the SII talks end in failure, this report is putting silent pressure on Japan's preparation of the SII interim report."

In comparison with last year's report, this year's report did not point out any tariff barriers and took up instead market barriers concerning amorphous amalgam and shipbuilding. However, the International Trade and Industry Ministry is refuting the report, arguing that "the Japanese Government has never delayed the examination of patent applications from U.S. firms for amorphous amalgam with intent to develop its technology independently by giving subsidies to Japanese enterprises. The ministry is also stressing: "Japan has been complying with international rules set by the Organization for Economic Cooperation and Development and other international organizations. The export subsidies for the shipbuilding industry as indicated in the report do not exist in Japan. Regarding the report's indication that Japan's plant quarantine system has been preventing the import of fresh fish and fruit into Japan, the Agriculture, Forestry and Fisheries Ministry countered this by saying that "the plant quarantine system is stricter in the United States than in Japan."

Business Leaders Protest U.S. Charges on Trade

OW0304133990 Tokyo THE DAILY YOMIURI in English 2 Apr 90 p 1—FOR OFFICIAL USE ONLY

[Text] Business leaders have declared that many of the accusations made against Japan in a U.S. report released Friday on foreign trade barriers are unfounded. The report, released by the office of U.S. Hills, devoted 19 of its 216 pages to Japanese trade barriers, citing 34 items in eight areas.

Electric power industry leaders protested the part of the report that said they were reluctant to import transformers with amorphous alloy core from the United States. A spokesman of Tokyo Electric Power Co. said that U.S. transformer producers, including Allied Signal Co., had never tried to sell such products to the company. Although the transformers are about 20 percent more efficient than the conventional kind, they are also much bigger and have certain technological problems, the spokesman said. The company is ready to import them if the problems are solved and the price is reasonable, he added. Another accusation contained in the report, that the government subsidizes the shipbuilding industry, is also unfounded, leaders in the shipbuilding industry said. They asserted that the loans obtained from the Development Bank of Japan and the Export-Import Bank of Japan do not constitute subsidies. If any problems exist in this area, then they should be raised at the upcoming May meeting of the Paris-based Organization for Economic Cooperation and Development, where the issue is already scheduled to be discussed, they said.

Fruit growers also expressed dismay that the report citied Japan's quarantine procedures on five kinds of U.S. fruit as a trade barrier since similar quarantines are also practiced in the United States. As a result of the U.S. quarantines, Japan can export only three kinds of fruit to the United States, they said. Besides, quarantine officials from the two countries are already conducting talks to solve problems in this area, they said. Meanwhile, Rokuro Ishikawa, president of the Japan Chamber of Commerce and Industry, called the U.S. charges "expected to some extent" and urged the government to react calmly. "Japan, for its part, should scrutinize the areas in question as early as possible in order to establish its position and corret whatever problems exist," Ishikawa said.

Prospects of Tax Friction With U.S. Seen

OW1204093890 Tokyo THE JAPAN ECONOMIC JOURNAL in English 14 Apr 90 p 9—FOR OFFICIAL USE ONLY

["Opinion" column by Yuji Gomi, chairman of Chuo Coopers & Lybrant Consulting Co. in Tokyo: "'Tax Friction' With U.S. Is Next on Horizon"]

[Text] In December of last year, the U.S. Congress adopted two provisions to strengthen the tax code as it applies to foreign-owned corporations in the U.S.

These measures, while well-intended, are likely to generate "tax friction" between the U.S. and countries with which it has concluded tax treaties.

One of the provisions limits the deduction of tax-exempt interest payments to parent companies and others overseas. The other stiffens reporting requirements for certain foreign-owned corporations. Both will take effect as of the first accounting period beginning after July 11, 1989. They will have a major impact on Japanese corporations.

Before adoption of the new provisions, corporate tax deductions were allowed for interest payments to overseas parent companies, even if these payments were not subject to taxation in the U.S.

This made it possible for foreign-owned subsidiaries to borrow heavily from their overseas parent, in amounts disproportionately high in relation to their paid-in capital.

In other words, by boosting their interest payments, subsidiaries were able to take advantage of tax treaty provisions which reduce or exempt taxation of interest, and thus hold down their U.S. corporate tax bills.

The limit on deductions was intended to cut off this form of tax avoidance.

When viewed from the perspective of international taxation, however, holding down tax payments in the U.S. is not necessarily the same as tax avoidance.

Even if tax-exempt interest payments are deductible in the U.S., for example, they are nevertheless subject to taxation in the home country of the corporation to which the payments were made.

Under the new tax provisions, however, if a foreign-owned subsidiary does not pay dividends to its parent in Japan, the taxation of interest will increase its corporate income tax burden in the U.S.

If dividends are paid, however, provisions to prevent double taxation across borders would result in a reduction of Japanese corporate tax payments. While the corporation's tax burden would remain unchanged, the tax receipts of the Japanese government would decline.

In other words, viewed from an international vantage point, this provision does not prevent tax avoidance, but merely boosts U.S. tax revenues at the expense of foreign corporations and foreign governments.

In addition, it unilaterally alters Japan-U.S. tax relations, which had been fixed by tax treaties affording special tax treatment to interest payments.

Such a move not only violates the spirit and intent of the tax treaties, it may also violate rules both on non-discriminatory tax treatment of domestic and foreign-owned corporations, and on non-discriminatory treatment of domestic and foreign payees in financial transactions.

The prevention of tax avoidance is a major concern in the area of international tax relations. But policies in this regard should take into account the international dimension, including the tax systems of other countries, rather than unilaterally attempting to promote the interests of a single country.

Without such an approach, the international tax system may degenerate into a beggar-thy-neighbor scramble for larger shares of corporate tax revenues.

The provision on reporting requirements, for its part, was intended to facilitate taxation in cases of transfer pricing.

Specifically, the stiffer reporting requirements would give the Internal Revenue service information needed to calculate tax liabilities which are based not on prices used in actual transactions, but on prices judged appropriate by the tax authorities. This would help prevent tax avoidance through transfer pricing.

This provision, however, saddles foreign-owned corporations with heavier record-keeping and paperwork requirements than their U.S.-owned counterparts, clearly violating the principle of non-discrimination against foreign firms.

A Japanese parent company selling its products in the U.S. through a local subsidiary, for example, whould either have to keep all of its sales and production data on file in the U.S., or be able to submit it promptly to the tax authorities upon request.

A report on transfer pricing released by the U.S. Treasury Department and the Internal Revenue Service in October 1988 suggested that, in order to tighten the tax system in relation to transfer pricing, the Basic Arm's-Length Return Method, which utilizes a standard income rate based on the average profit ratio within an industry, should be applied to foreign-owned subsidiaries for taxation purposes.

There were several factors which prompted the U.S. to adopt tougher tax provisions vis-a-vis foreign corporations.

One was the perception that foreign-owned corporations have not been paying a fair share of corporate taxes.

Top Internal Revenue Service officials have often cited figures to fuel this perception. It was noted, for example, that while foreign-owned corporations earned $500 billion in the U.S. in 1986, their reported taxable income amounted to a deficit of $2 billion.

It was also reported that, while U.S. corporations pay taxes amounting to roughly 1.5 percent of sales, foreign-owned corporations pay less than 1 percent.

While the basis of these figures needs to be analysed further, they clearly created an image of unfairness and helped spur the Congress to adopt stricter tax measures egarding foreign-owned corporations.

This determination to promote fairness in the tax system, moreover, led the House of Representatives to take unilateral legislative action even if it was in conflict with international treaties.

The impact of these two provisions, however, will inevitably spill over into international relations.

First, there are worries that they may have a negative impact on direct investment in the U.S.

Moreover, they may undermine the role of international tax treaties. These treaties serve to prevent double taxation of corporations operating on an international scale. They also help assure a fair allocation of taxation authority, as well as clarity and stability in international tax relations. In this way they make an important contribution to the development of international economic relations as a whole.

The adoption of tax provisions which are potentially in conflict with the stipulations of tax treaties may ultimately undermine trust in the international economic order itself.

If the U.S. disregards the interests of other countries as it attempts to shore up its own taxation authority, there will be sweeping consequences, particularly in the developing countries. It may even provoke an international tax free-for-all as countries struggle for a bigger share of the tax pie.

If this is to be prevented, the U.S. Congress must take a more moderate stance. And the U.S. Treasury Department and Internal Revenue Service should take a flexible approach, which thoroughly considers international ramifications, as they implement regulations related to these two provisions.

Trade Friction Destined To Survive, Thrive

OW0904105890 Tokyo THE DAILY YOMIURI in English 8 Apr 90 p 1—FOR OFFICIAL USE ONLY

["Economic Forum" article by Yoshio Matsui, YOMIURI SHIMBUN economic editor: "Trade Friction Destined To Survive, Thrive"]

[Text] Japan and the United States settled on the interim report on the bilateral Structural Impediments Initiative Talks after lengthy last-minute bickering over the fate of Japan's Large-Scale Retail Stores Law.

The two sides also failed to see eye-to-eye on the issue of public investment and revision of the Antimonopoly Law. The U.S. negotiators strongly insisted that these areas block U.S. access to the Japanese market. The United States' arguments were both reasonable and persuasive in several fields throughout the SII talks. On reviewing the interim report and considering Japan's present stance, however, it is clear that Japan has made all the concessions to U.S. demands that it can make.

Under the large stores law, it sometimes took 10 years from the time prospective store owners submitted their applications to the prefectural government to the time their stores opened. In the most recent talks, Japan has agreed to shorten the period to one-and-half years.

Japan also pledged to work out a 10-year comprehensive program to increase public investment. The budget for the program will be decided by July.

As for the Antimonopoly Law, penalties for forming cartels will be increased, from the current 2 percent of an offending manufacturer's sales, to 4 percent.

In the end, Japan refused to abolish the large retail stores law as the U.S. side had demanded. In almost all other fields, however, concrete concessions are recorded in the report. The report shows that Japan made a number of substantial sacrifices.

Nonetheless, with the U.S. side still not completely satisfied with the report, and grumbling in the U.S. Congress growing even louder, the Japan-U.S. trade friction seems destined to survive... and perhaps thrive.

Senator Max Baucus has already submitted a bill to make sanctions possible against Japan in the areas discussed in the SII talks and this sort of retaliatory action is sure to increase. As a result, Japan may be forced to make further concessions before July when the final report on the SII talks is to be compiled.

In the Washington round of negotiations, Japan gave in where it felt it could without pressure from the United States, showing that the nation has the wherewithal to make the proper decisions without the United States breathing down its neck. Still, it cannot be denied that pressure from abroad may help nudge Japan forward.

We cannot expect dramatic reform in the areas discused in the SII talks, nor can we expect the changes agreed upon to immediately erase the trade conflict between Japan and the United States. Thus, continued efforts on the part of both countries are needed.

Japan is sure to find making the changes agreed upon in the interim report difficult. However, if Japan fails to follow-up on the report, any calls for protectionism from the United States will only grow more strident and Japan will become isolated from her former trading partners.

Poll Shows Support for U.S. Trade Stance

OW0804234890 Tokyo THE JAPAN ECONOMIC JOURNAL in English 7 Apr 90 p 6—FOR OFFICIAL USE ONLY

[Text] One would not guess it from the protracted and painful trade negotiations between the U.S. and Japan, but nearly half of all Japanese strongly support or at least somewhat support U.S. demands that Japan further open its markets and enact structural reforms. These are the results of a NIHON KEIZAI SHIMBUN telephone poll conducted March 16-19 and based on 6,186 valid replies from across the nation.

The survey also showed that an overwhelming majority of the pollees felt Japan should "do its best" or at least try hard to respond favorably to U.S. demands for reform and liberalization, although all did not necessarily agree with the scope of the U.S. demands. The most commonly cited reason was that such measures would be beneficial for Japan and would improve the quality of life. Others said Japan should give in to the demands because its relationship with the U.S. is too important to jeopardize.

Only about 5 percent said the U.S. stance should be ignored.

The poll suggests a broadening public consensus for bold government action to resolve growing trade animosity between the two countries.

The U.S., in its various trade negotiating venues with Japan, including the ongoing Structural Impediments Initiative talks, has stressed that market liberalization and structural reforms would benefit the Japanese people. The Nikkei poll suggests that this view has become widespread inside Japan as well.

Regarding the emotional issue of rice imports, more than 60 percent of the respondents expressed support for at least a partial opening of the market, while a few advocated the total removal of restrictions. Only about one-third said the ban on overseas rice should continue, indicating that the policy of the government and the ruling Liberal Democratic Party [LDP] to prohibit any rice imports whatsoever for reasons of national security does not necessarily enjoy the support of most Japanese citizens.

Broken down by political party affiliation, a full three-quarters of those expressing support for the Democratic Socialist Party favored the opening of Japan's market to rice imports, as did nearly two-thirds of LDP supporters. But more than half of those expressing preference for the Japan Communist Party said they were adamantly against pulling down the rice barrier.

With regard to the future of Japan-U.S. relations, slightly less than half the respondents predicted that they would deteriorate somewhwat but remain fundamentally positive.

The results of the poll indicate that general public opinion is more optimistic about bilateral relations than the government's outlook as expressed by Foreign Minister Taro Nakayama, who recently stated that Japan-U.S. relations have deteriorated to the point where things are ripe for an explosion.

GATT Rules in Favor of Japanese Products

OW0504155690 Tokyo MAINICHI DAILY NEWS in English 4 Apr 90 p 9—FOR OFFICIAL USE ONLY

[Text] Japanese trade officials were relieved Tuesday to learn a GATT panel has ruled in full support of Japan's claim that a European Community (EC) decision to impose anti-dumping duties on Japanese products assembled within the community violates GATT principles. The dispute-settling panel of the General Agreement on Tariffs and Trade (GATT) has decided the duties imposed on Japanese electric typewriters, copy machines, and other products assembled in the EC are inconsistent with GATT rules, said a Ministry of International Trade and Industry (MITI) official. The panel has also ruled that an EC stipulation that forces Japanese firms to ensure at least 40 percent of parts used in the products should come from outside the exporting country is illegal under GATT.

Hidehiro Konno, director of MITI's International Economic Affairs Division, said the panel ruling has clarified the meaning of the GATT regulations for both Japan and the EC. "It (the ruling) clearly demonstrates the GATT functions effectively as the premier organization for settling international trade disputes," Konno said. If the panel's findings are approved by the GATT council meeting on Tuesday, the EC will be obliged to either abandon or drastically change its current anti-dumping rules that are mainly targeted on Japan.

The dispute started in 1987, when the EC augmented its anti-dumping rules to prevent exporters from circumventing anti-dumping duties through establishing so-called "screwdrive" assembly plants. The strengthened rules empowered the community to impose punitive duties on products assembly within the EC that include 60 percent or more components imported from the manufacturer's home country. The community has accused Japanese companies of sidestepping the anti-dumping rules by manufacturing products within the EC with a large portion of the parts imported from Japan.

The EC has since put half a dozen products made by several Japanese companies on the black list.

Editorial Reviews Past Five Years of U.S. Ties

OW1204084190 Tokyo THE JAPAN TIMES in English 10 Apr 90 p 20—FOR OFFICIAL USE ONLY

[Editorial: "As One Chapter Closes"]

[Text] What will be the future of Japan's ties with the United States? That is the new question that thoughtful people on both sides of the Pacific need to start contemplating. As a significant chapter in the history of the world's most important bilateral relationship draws to a close, the fundamental perceptions and assumptions that have made possible this country's 45-year "marriage" with the U.S. need to be thought through afresh.

Brought to a close by the turbulent diplomacy of the last six weeks, this chapter began in September 1985 with the signing of the Plaza Accord, which in effect gave the approval of what were then the G-5 nations to a significant rise in the value of the yen vis-a-vis the U.S. dollar. The publication of the midterm report on the current Structural Impediments Initiative (SII) talks marks the end.

During the past five years, ties between Washington and Tokyo have been characterized by an unparalleled intimacy, almost an intrusiveness, between two sovereign states. The two largest economic powers now are risking the ambitious and dangerous task of restructuring the economic and social framework of one partner by the other.

We welcome what was achieved at the summit meeting in Palm Springs, Calif., last month and at the recent SII talks in Washington. But despite the glee being expressed by some commentators here and in the U.S., the progress has come at a price—in bilateral good will and in mutual trust and understanding. Of still greater concern, the compromise negotiated over the past few fervid weeks may fall well short of what is necessary to return us to the pre-1985 salad days of the Japan-U.S. relationship.

There have been important gains. In our view, the realization that it is time for Japan to proceed still further with the shedding of the elaborate economic and political system created since 1945 has been the greatest benefit from the recent slugfest between the administration of President George Bush and several Japanese governments.

But no amount of quoting from Adam Smith, of beating the drum of "free-market forces" can explain away the brilliant achievements of Japan's postwar economic policies. It was not just a case of producers being favored over consumers. Far more was involved in resurrecting this country from the ashes. It nevertheless is true that the time for Japan to compromise has arrived. Though the phrase has been used many times before, today it an be asserted with confidence that Japan's postwar era is really over.

If the current troubles in both this country's frenetic investment markets and world currency markets can be sorted out—and much depends on G-7 cooperation—then we are confident that Japan can take up the challenges of the new era. Despite the current business tremors, this country will meet its obligations to the Japan-U.S. joint economy.

But can America? This remains our profoundest concern. The internationalist faction of business commentators here has argued repeatedly that the globe's deepening interdependence (the term "import" is meaningless, they insist) would spell the end of the nation as a concept of political economic reality. The last five years have shown the cosmopolitans—and we include ourselves among them—to be wrong. The Plaza Accord, the "endaka" or high yen, the increased resentment at the accelerated growth in Japanese investment, the Toshiba machine-tool, FSX jet fighter and Sony-Columbia Pictures affairs all suggest that the specter that stalks the U.S. perception of itself is not globalization but an unconfident nationalism.

The liberalization of our domestic retail market, greater expenditures on public works and the toughening of the Antimonopoly Law will help ease the problem. On that front, Japan should proceed with vigor. But until the U.S. regains a better macroeconomic equilibrium and improves its competitiveness in manufacturing, the current accounts deficit will not improve enough to erase the exaggerated but still influential self-perception of a nation in economic decline.

This means that the past five years of wrangling have not solved the real problem. But the war of words since 1985 has done much to erode the legacy of postwar good will between our nations. We have become veteran quarrelers. Equally important, what Japan can do to solve the problem was rather limited from the outset. As an old era expires, it is time for new beginnings—and not only for Japan.

Plans for U.S. Military Technological Exchange

OW1204064490 Tokyo NIHON KEIZAI SHIMBUN in Japanese 9 Apr 90 Morning Edition p 1—FOR OFFICIAL USE ONLY

[Text] The Defense Agency has made basic plans to operate Japan-U.S. technological exchanges for the development of weapons in succession to the joint development of the next-generation support fighter (FSX). The major points of the plans are that 1) Japan and the United States equally share research costs and results of the research; 2) the technological exchanges are confined to research activities and do not engage in practical operation (development) on the premise of producing military equipment; and 3) the research period is between four and five years and researchers of both sides hold regular consultations once or twice a year to exchange information and views. The regular Japan-U.S. consultations on military equipment and technology, slated for June, are expected to decide on three research subjects, including missile rocket engines.

Based on the outcome of the consultations and the plans, the agency plans to consult with the U.S. about adjustment of the framework of the research program with the aim of starting research in the summer of 1991, after exchanging instruments and a memorandum of understanding.

In view of hitherto unofficial consultations between Japan and the United States on joint research on weapons, the two countries are likely to choose three research subjects which include 1) missiles installed with Dakutet [name as published] rocket engines, which are capable of flying long distances at supersonic speed by increasing the loading of oxygen; 2) magnetic-field analyzing technology, which makes it difficult to detect submarines by removing magnetism; and 3) millimeter wave infrared composite guided apparatuses, which enhance the accuracy of homing missiles.

In June 1988, the Japanese offered the U.S. joint research, including special antitank shells, carbonic-acid-gas dynamic lasers, and the above research subjects. The U.S. side (the Department of Defense) has yet to answer this offer. However, the U.S. Army has expressed a strong interest in the rocket engines and millimeter wave infrared composite guided apparatuses, while the U.S. Navy has shown a strong interest in the magnetic-field analyzing technology.

Since all these research subjects are at a stage of basic technology, the Defense Agency plans to cooperate with the United States only at the research level, instead of working out any plans for the production of military equipment, unlike the case of the FSX, which carries a premise that Japan and the United Sates should jointly develop the fighters. A joint research program on frigates by North Atlantic Treaty Organization (NATO) nations has ended in failure, because the program has been carried out with specific plans for the operation (development). Therefore, the agency has come to believe that "the research program would be carried out more smoothly by not setting any plans for the operation," (according to a senior official of the Defense Agency).

Japan will carry the whole cost of the development of the FSX. However, the agency plans to implement the research program in a formula under which Japan and the United Sates share costs equally because "there is no large gap at the technological level of Japan and the United States," (according to the same official). The agency also plans to share equally the results of the research program in principle. As to which side will hold the patent rights, the agency said that "It is natural that both sides hold the right."

At the Japan-U.S. security working-level consultations (SSC) held in December last year and the Japan-U.S. defense ministerial talks held in February this year, the U.S. side asked for the promotion of technological exchanges between the two countries. The Japanese side plans to comply positively with this U.S. request through the promotion of the joint research program.

Soviet Union

Official on 'Delicate' Negotiations With USSR

OW1104125890 Tokyo SANKEI SHIMBUN in Japanese 9 Apr 90 Morning Edition p 1—FOR OFFICIAL USE ONLY

[Text] A Japanese Government official, who is deeply involved in policy matters concerning the Soviet Union, recently granted a lengthy interview to SANKEI SHIMBUN on condition of anonymity, and explained the delicate ongoing diplomatic negotiations between Japan and the Soviet Union on forming a new relationship.

This government official indicated that, with President Gorbachev set to visit Japan next year, the Soviet supreme leadership is currently undertaking earnest studies to draw up a "blueprint" for a new Japanese-Soviet relationship.

He insisted that Japan, realizing that Japanese-Soviet relations are entering an extremely important and delicate stage, must convey to the Soviet Union its "accurate message" that a peace treaty can come only after the northern territories are returned.

The official also described as unavoidable the possibility that individual members of political parties, including the Liberal Domocratic Party, may take this opportunity to try to approach the Soviet Union on their own. He called for self-restraint in this regard, saying that words stemming from political ambitions can mislead the Soviet Union, and thus harm rather than benefit the bilateral relationship.

In addition, the government official noted the possibility that the dramatic changes in the East and West, and the easing of tensions will bring about the biggest change in the history of Japanese-Soviet relations since the end of the war.

On the other hand, he noted that the Soviet Union should adopt a realistic stance according to which it would regard bilateral relations as important and solve questions on an individual case basis, and thus depart from the idea of setting up a collective security system in Asia as is now the case in Europe.

Referring to the Soviet military strength in the Far East region, he insisted that the Japanese Government is taking an extremely cautious stand on the so-called "peace offensive" of the Soviet Union. He particularly stressed that the Japanese Government has no intention of joining in a naval force reduction plan that will cover the U.S. Armed Forces.

Government Considers Security Talks With USSR

OW1204023590 Tokyo SANKEI SHIMBUN in Japanese 9 Apr 90 Morning Edition p 2—FOR OFFICIAL USE ONLY

[Text] The Government, particularly the Foreign Ministry and Defense Agency, has begun to make concrete examinations on the holding of Japan-Soviet security consultations. The government has decided to do so in the belief that it is necessary for Japan to deal positively with the security consultations in the face of changes taking place in the Soviet Union and Eastern Europe, and the Soviet willingness expressed by Information Administration Deputy Chief Gremitskikh of the Soviet Foreign Ministry to hold talks with Japan to discuss the issue of extensively easing tensions in the Asian and Pacific region. The Soviet Union has proposed the holding of consultations attended by nations concerned to discuss disarmament in the region. However, the government has declined to comply with the proposal on the grounds that 1) the Soviet Union has not made public the real state of Soviet forces, including those in the Far East, and 2) Japan distrusts the Soviet Union for building military power far stronger than that of Japan.

However, the government increasingly feels that it is inappropriate to keep rejecting Soviet calls for holding the security consultations at a time when East-West relations are shifting from "confrontation to dialogue." For this reason, the government intends to comply with the Soviet call. To the holding of the security consultations, however, the government plans to attach conditions that "Soviet forces are pulled out of the northern territories and naval disarmament is not placed on the agenda of the consultations," (according to a top Foreign Ministry official) and "the real state of Soviet forces is made public," (according to a top Defense Agency official).

Hamai Industries Resumes Business With USSR

OW1304041390 Tokyo NIHON KEIZAI SHIMBUN in Japanese 11 Apr 90 Morning Edition p 13—FOR OFFICIAL USE ONLY

[Text] Hamai Industries, a semi-large tooling machine manufacturer, received an order from the Soviet Union to build precision tooling machines for the first time in three years.

The general mood of the Japanese tooling machine industry has been to stay away from exporting to the Communist bloc since Toshiba Machine Company was found to have violated the Coordinating Committee on Multilateral Export Controls (Cocom) rules in 1987. Exports of precision tooling machines to the Soviet Union amounted to about 800 million yen in all last year or only a quarter of the exports to the country in 1986. East European countries have joined the Soviet Union in making recent inquiries. The prospect of resuming exports to Communist bloc countries is becoming bright with easing Cocom rules.

The Hamai Industries' order was placed by the All-Soviet Tooling Machine Export/Import Corporation (Stanco Import) [name as published] and is for 14 sets of high precision buffing machines used in processing toothed wheels. The order is worth 100 million yen in total. The required precision for the machines, though not in the Cocom rule application range, makes possible processing down to the unit of a micron (1 micron is 1/1,000th of 1 milimeter). The order is expected to receive a Ministry of International Trade and Industry [MITI] permit soon.

Japan's exports of precision tooling machines to the Soviet Union was worth more than 3.3 billion yen in 1986, but since the "Toshiba Machine Company incident" in 1987, exports of these machines drastically dropped. This may also be due to intensified MITI checkup actions. But since 1987, many makers tended to stay away from doing business with the Communist bloc even when products not restricted by the Cocom rules were involved. In fact, exports of precision processing machines by such big-name companies as Toshiba Machine Company and Hitachi Precision Machine Company have been zero for the past several years.

Negotiations on the order accepted by Hamai Industries actually began about two years ago. An agreement on a formal contract took a lot of time to reach as a result of the "Toshiba Machine Company incident" and differences on price.

East Europe

Contract Signed To Build Oil Plant in Hungary

OW1104155590 Tokyo NIHON KEIZAI SHIMBUN in Japanese 9 Apr 90 Morning Edition p 9—FOR OFFICIAL USE ONLY

[Text] Marubeni Corporation and Toyo Engineering Corporation have received a 1.7 billion yen order to build a plant in Hungary for extracting natural gas and oil. The order comes under the World Bank-financed project to develop energy resources in Hungary.

The official loans the West has offered in support of East European reforms, like this one from the World Bank, have recently been growing rapidly. Consequently, business negotiations on exports to Eastern Europe, which is suffering from a shortage of funds because of mounting debts, are expected to become brisk.

While the Hungarian Chemicals and Machinery Export/Import Corporation negotiated the contract, the plant will be used by the Hungarian Oil and Gas Corporation.

Along with the joint team representing Marubeni and Toyo Engineering, a joint team of representatives of Mitsui Bussan and Mitsubishi Heavy Industries, as well as Mannesman of West Germany were among other Japanese and European firms which competed for the contract.

The plant to be built is designed to improve the purity of extracted natural gas by removing the carbon dioxide in it and also enhance the rate of gas recovery by pumping this carbon dioxide back into oilfields. The system will include equipment to remove carbon dioxide and to pressurize carbon dioxide. It will be put to use in the gas and oil fields of the Zanc area, approximately 130 km south of Budapest. The target date for completing the plant is 1992.

East European countries are calling on Western enterprises to provide various kinds of technology and equipment, but they have the problem of a shortage of funds. The World Bank announced a plan in February to extend more than $5 billion in loans to Poland, Hungary, and other East European nations over the next three years. The Marubeni Corporation thus plans to participate in the World Bank-financed projects.

China

Joint Japanese-Chinese Hotel Opens in Beijing

OW0804201390 Tokyo MAINICHI DAILY NEWS in English 7 Apr 90 p 6—FOR OFFICIAL USE ONLY

[Text] The New Otani Hotel has announced that a new joint Japanese-Chinese hotel its operates and manages opened earlier in the day in Beijing. The 24-story hotel, located outside Jianguomen, has a total of 512 rooms and has a floor area of 55,942 square meters. The 120 million-dollar hotel is owned jointly by the Beijing Municipal Travel Corp. and CCI [expansion unknown], a group of Japanese enterprises. The Tokyo-based New Otani is better known as Hotel New Otani.

South Korea

Legal Status of Koreans in Japan Viewed

OW0904051790 Tokyo ASAHI EVENING NEWS in English 5 Apr 90 p 6—FOR OFFICIAL USE ONLY

["Political Spectrum" column article: "Another Set of SII Talks"]

[Text] With South Korean President No Tae-u scheduled to visit Japan next month, a kind of deadline has been set for resolving a dispute over the legal status of Koreans living here.

Issei [first generation] and nisei [second generation] Koreans are granted permanent residence under an agreement which was signed when Japan and South Korea normalized their diplomatic relations in 1965. The agreement has no provision for the legal status of sansei [third generation] Koreans and their offspring. It just says that a solution to the question is to be found by January 1991.

The legal status of sansei Koreans and their offspring and the measures to guarantee their social rights in Japan are the principal issue outstanding between Tokyo and Seoul. Because the Japanese institutions and the consciousness of the Japanese are at issue, just like in the Japan-U.S. Structural Impediments Initiative (SII) talks, a source at the Foreign Ministry calls the talks to settle the dispute "another set of SII talks."

The controversy will be high on the agenda of regular consultations which Foreign Minister Taro Nakayama will hold with his South Korean counterpart in Seoul on April 30.

South Korea wants Japan to give all coming generations of Koreans permanent residence automatically. Citing the historical circumstances, such as Japan's past colonial rule of the Korean peninsula and the removal of Korean workers against their will from their homeland to Japan during World War II, Seoul contends that the existing agreement should be revised to establish a stable legal status for sansei Koreans as their right.

Issei Koreans stand for those who have been living in Japan since before World War II and their offspring who were born between Aug. 16, 1945, and Jan. 16, 1971. Nisei Koreans are the children of these people who were born after Jan. 16, 1971 and for whom applications for permament residence were filed in 60 days after their birth. The oldest nisei Koreans are 19 years old, and three sansei Koreans have been born.

If the current negotiations over the amendment of the existing agreement fail, the legal status of sansei Koreans will become more insecure than that of their parents and grandparents. "The situation is such that our legal status will decline for each new generation coming in," says a spokesman for the Korean Residents' Union in Japan.

The Japanese Government is willing to grant sansei Koreans permanent residence. But the Justice Ministry is against complying with Seoul's request that all coming generations of Koreans be automatically granted permanent residence, arguing that such a commitment under an agreement would be unprecedented.

To break the deadlock, a plan to guarantee sansei Koreans and their offspring permanent residence by amending the Immigration Control Law and the Refugee Certification Law is gaining support within the governemnt. The idea is to cope with the problem by changing the laws applicable to all foreigners, not through amending the bilateral agreement.

Senior Foreign Ministry officials of the two countries had held three unfruitful rounds of talks on the question of permanent residence for sansei Koreans by late last year. In these talks, Seoul also called on Tokyo to scrap its regulations requiring Koreans and all other foreign residents to be fingerprinted and to carry their alien registration cards with them all the time. Further, South Korea asked that Japan drop its regulations on the deportation of Koreans who have committed crimes worse than a certain standard and the system requiring foreign residents to secure permission for their reentry into the country before they leave it temporarily.

The Justice Ministry is considering relaxing the reentry requirement, but is negative about all the other points. The ministry thinks that the systems in question must be maintained to regulate foreign residents. The Foreign Ministry is trying to get Justice to change its mind, saying Justice should understand that Koreans here are different from other foreigners.

On a social level, Seoul wants Tokyo to take steps to eliminate discrimination Koreans here meet when they seek jobs. In the talks with Japan, South Korean officials have proposed that resident Koreans be hired as local government employees and as teachers at primary and high schools, and guidance be given by Japanese administrative authorities to put an end to discriminating against Koreans looking for jobs.

A total of 330 Koreans are now on the payrolls of local governments, working as doctors, nurses, schoolteachers and kindergarten teachers. Of the number, 33 are schoolteachers. There have been a number of cases in which these Koreans are demoted to the status of "instructor" (in the case of teachers) under the guidance of the Education Ministry or disqualified from taking examinations for civil servants. South Korea contends that Koreans are entitled to local government jobs as their right of residents who are obliged to pay taxes.

Progress in USSR-ROK Relations Lauded

OW0904050190 Tokyo MAINICHI DAILY NEWS in English 5 Apr 90 p 2—FOR OFFICIAL USE ONLY

[Editorial: "New Wind in East Asia"]

[Text] East Asia seemed for awhile to be unaffected by the trend toward an easing of tension that has been spreading in Europe. Some signs pointing in that direction are now beginning to be seen in East Asia also. These should be encouraged so that they will lead to regional peace and stability. The crux of such signs are the moves being made by the Republic of Korea and the Soviet Union toward normalization of relations. If these relations develop in the right way, a stabilized atmosphere will envelop the international politics of East Asia. A favorable environment will also be created for regional negotiations on disarmament and arms control.

From about the time of the 1988 Seoul Olympics, the Republic of Korea has stepped up its approach toward the socialist countries, in a positive manner. Late in March, a top executive of the ROK government visited the Soviet Union and held a discussion with President Mikhail Gorbachev. The fact that President Gorbachev met a top executive of the Republic of Korea, with which it has no diplomatic relations, is unusual. Although unexpected, it symbolizes the rapid advance being made toward a normalization of relations.

Because of the Soviet Union's traditional relationship with the Democratic People's Republic of (North) Korea, there is a view that the normalization of relations with the ROK may not proceed rapidly. Nevertheless, the Soviet Union's desire to move closer to the ROK is evident. It cannot be believed that the Soviet Union is onesidedly ignoring North Korea's wishes. Before entering into talks with the ROK, the Soviet Union was probably tenacious in trying to persuade North Korea to open its doors to the outside.

Since the Tiananmen Incident in July last year, North Korea has been endeavoring to strengthen relations with the People's Republic of China. The Soviet Union, while mindful of the present situation of Chinese-North Korean relations, is undoubtedly seeking to persuade North Korea and to approach South Korea simultaneously. Although North Korea may find this disagreeable, its protest will no longer be acceptable under the changed international situation.

China on which North Korea is depending, is looking to the Asian Games this autumn as a good opportunity to achieve closer cooperation with South Korea. On its part, the ROK is not only cooperating in the operation of the Asian Games but has also reserved a large number of tickets and is planning to send many visitors to the Games.

It is certain that the relations between China and the ROK will become closer. Since China has the Taiwan problem to deal with, it may not officially recognize the ROK at an early date but a virtual establishment of diplomatic relations undoubtedly looms in the offing.

The moves to be taken by North Korea draw attention. Since the Soviet Union has hinted at "the establishment of diplomatic relations with South Korea within this year," its persuasive efforts directed toward North Korea must be making some progress.

In any case, under the present situation, there will be a need for North Korea to activate the North-South dialogue and ease tension on the Korean peninsula. At the same time, North Korea will find it increasingly necessary to open up and develop relations with the countries of the West camp, including Japan. Nor should the countries concerned neglect efforts to welcome North Korea as a member of international society.

Japan, whose relations with North Korea are cool at present, may find that this is the time and the opportunity to help expand the moves for the normalization of ROK-Soviet relations into the building of a firm structure for East Asia peace.

Mongolia

Rinchin Meets Japanese Prime Minister in Tokyo

OW0504122290 Ulaanbaatar MONTSAME in English to BAKHTAR Kabul 0522 GMT 5 Apr 90—FOR OFFICIAL USE ONLY

[Text] Ulaanbaatar, April 4. (OANA-MONTSAME)—Lodongiyn Rinchin, chairman of the MPR [Mongolian People's Republic] People's Great Hural, who is on a visit in Japan, was received by Japanese Prime Minister T. Kaifu and also by Y. Sakurauchi, chairman of the Lower House of the Japanese Parliament, and T. Nakayama, Japanese foreign minister.

Rinchin Interviewed in Osaka

OW1204225790 Tokyo MAINICHI SHIMBUN in Japanese 7 Apr 90 Morning Edition p 7—FOR OFFICIAL USE ONLY

[Report on interview with People's Great Hural Chairman Lodongiyn Rinchin by Yokihiko Machida, reporter of the MAINICHI SHIMBUN Osaka Bureau, in Osaka on 5 April]

[Text] In an interview with the MAINICHI SHIMBUN reporter in Osaka on 5 April, People's Great Hural Chairman Lodongiyn Rinchin (60) who was on a visit to Japan as an official guest, predicted that "multiple political parties other than the Mongolian People's Revolutionary Party [MPRP] would participate in the parliament after free elections." However, the chairman denied the possibility of any imminent power change, claiming that "the ability of the MPRP to run the government remains undiminished." In the interview, he expressed a cautious stance toward drastic economic reforms including sweeping privatization, while acknowledging the necessity of introducing a market economy.

The following is a summary of the interview:

[Machida] Why have opposition forces such as the Democratic Union and the Democratic Party made vigorous moves since last December?

[Rinchin] There are two external and domestic factors. At home, although the party and the government have carried out political and economic reforms for three years, there have been loud voices calling for changes in the present situation at a much more rapid pace than in the past. Drastic changes in the Soviet Union and Eastern Europe have brought a great impetus to Mongolia.

[Machida] Batmonh, general secretary of the MPRP and concurrently chairman of the Mongolian People's Great Hural Presidium, and Prime Minister Sodnom stepped down in a major party and government reshuffle in March. What are your views on this?

[Rinchin] They stepped down because the time had come to change the party and the government in response to changes in the political situation. Young people with much knowledge should stand in the forefront.

[Machida] How is the government dealing with democratic forces?

[Rinchin] The government is continuing dialogue with various opposition forces such as the Democratic Party, the Democratic Union, the Social Democratic Party, and the Union of Cattle Raisers and Farmers without excluding them because the government and the opposition forces are in agreement on the goals of political and economic reforms.

[Machida] The first free elections are likely to be held soon.

[Rinchin] A political party law will be enacted within the month and general elections will be held sometime from late June to early July this year. The elections will be the first step to open the parliament to political parties other than the MPRP.

[Machida] In case the opposition wins a majority in the elections, is this power change possible?

[Rinchin] Theoretically, it is possible. However, because the people have strong confidence in the ability of the MPRP to run the government, I believe that there is no possibility the party will face defeat in the elections.

[Machida] How do you see the prospects of economic reform?

[Rinchin] The focal point in economic reform is the introduction of a market economy. The Foreign Capital Law has already been enacted, and this has spurred foreign enterprises to make business inroads into Mongolia. We hope to use this move as a lever to invigorate our backward economy. In the future, corporations will be established in Mongolia. However, we cannot shift to a market economy right now because there are inadequate preparations for it. The best idea would be to acknowledge privately owned enterprises on a gradual basis in addition to enterprises owned by the state and cooperatives. The democratic group is demanding that all cattle be completely privatized. We cannot compromise with them on that point.

Japanese Envoy Views Democratization

OW1004044490 Tokyo SANKEI SHIMBUN in Japanese 1 Apr 90 Morning Edition p 1—FOR OFFICIAL USE ONLY

[Report on interview with Japanese Ambassador to Mongolia Hidekazu Takase by unidentified correspondent on 31 March—place not given]

[Text] Ambassador to Mongolia Hidekazu Takase is now home for a temporary visit to attend a conference of envoys to the Soviet Union and Eastern Europe. In an interview granted to SANKEI SHIMBUN on 31 March, he discussed the current situation in Mongolia, where democratization, including the renunciation of one-party dictatorship, is making progress, and Mongolia's relations with Japan.

In the interview, Ambassador Takase referred to the establishment of diplomatic relations between the ROK and Mongolia, and said North Korea was so shocked it attempted to obstruct the establishment of relations. He noted: "I have been told there were behind-the-scenes moves for more than a year, and the DPRK tried hard to prevent establishment of close relations between Mongolia and the ROK."

Explaining the background behind Mongolia's establishment of diplomatic relations with the ROK despite obstructive maneuvers by the North Korean Embassy in Ulaanbaatar, Ambassador Takase said Mongolia took the action because, first, it learned of the ROK's prosperity through participation in the Seoul Olympics, and, second, Mongolia, having observed Japan and believing there were other advanced nations in Asia, felt it necessary to promote relations with the ROK. He then stressed, "This is a good thing, and it accords with the trend of detente."

At the 21 March People's Great Hural (parliament) session, Batmonh, chairman of the Presidium of the People's Great Hural (head of state), and Sodnom, chairman of the Council of Ministers, resigned. Punsalmaagiyn Ochirbat, minister of the Foreign Economic Relations Board, was elected new chairman, replacing Batmonh, and Sharabyn Gungaadorj, deputy chairman of the Council of Ministers, was elected new chairman of the Council of Ministers, replacing Sodnom. In this connection, Ambassador Takase said: "The Batmonh regime inherited the legacy of former General Secretary Tsedenbal (who is being criticized as a dictator); in addition, the new Ochirbat regime, which was criticized by the people for laxness with regard to the perestroyka (restructuring) program, has its hands unstained. At the same time, it is destined to further promote liberalization and democratization. To go backward is inconceivable." He thus indicated the view that the present line of political and economic reforms will be further accelerated.

Noting that the Ochirbat regime is provisional in nature, pending elections, the ambassador said: "It seems that Mongolia wants to conduct free elections and simultaneously introduce a presidential system as well. They are interested in the U.S. and French presidential systems, not the Soviet system. I believe that elections will be held around June."

Dwelling on Mongolia's foreign policy, he said, "Mongolia wants to further implement a policy of attaching importance to Asia, like Japan and China, and one can safely assume there will be more progress in this regard than before." He noted that Chairman Ochirbat is pro-Japanese, and accompanied Chairman of the Council of Ministers Sodnom during the latter's recent visit to Japan. Furthermore, Chairman of the Council of Ministers Gungaadorj was deputy chairman in charge of Japanese affairs. He said: "Mongolia now has even higher hopes with regard to Japan. Japan hopes to provide assistance in various forms, including economic cooperation within its means."

As concerns possible effects of Mongolian democratization on Asian socialist countries, Ambassador Takase said, "I think there will be a slow but steady influence, although Mongolia is not a big power."

Company To Make Televisions With Japanese Firms

OW2803143290 Tokyo THE JAPAN ECONOMIC JOURNAL in English 31 Mar 90 p 24—FOR OFFICIAL USE ONLY

[Text] Ulaanbaatar—Mongolia's first private company is set to start producing that modern consumer staple—the color TV.

Mongolian Electronic Corp. Manufacturer and Trader (Monel), in cooperation with Nissho Iwai Corp. and Victor Co. of Japan, will start producing color televisions in a factory in Ulaanbaatar in September, according to a Monel official.

The factory will initially produce 14-inch color televisions and is expected to start producing 20-inch TVs two years later. It will start at a pace of 10,000 TVs a year, all intended for the domestic market. It will consider exporting in the future.

The factory will likely import semifinished products and do the final assembly in what is called a semiknockdown system. It will move on to a complete knockdown system in which it will import parts and assemble TVs.

JVC will provide Monel with the necessary technology in exchange for royalties.

Mongolia currently imports color TVs from Japan and black-and-white TVs from the USSR. But there are problems. Japanese TVs are too expensive for the general public, and the Soviet products have quality problems. The Monel official estimated local assembly would cut costs nearly 20%.

The new enterprise is taken as a major step in the nations' current effort to reduce economic dependence on the Soviet Union and move closer to the capitalist economies. Japanese companies appear increasingly interested in Mongolia because of its economic liberalization policy. Because of the nation's small population of about 2 million, it is expected to serve mainly as an export production base for the Soviet and East European markets, rather than a major market.

Mideast

Foreign Ministry To Promote Middle East Peace

OW0704041290 Tokyo NIHON KEIZAI SHIMBUN in Japanese 2 Apr 90 Morning Edition p 2 —FOR OFFICIAL USE ONLY

[Text] The Foreign Ministry plans to hold regular political dialogues with Israel and the Palestine Liberation Organization (PLO) in earnest to help achieve peace in the Middle East. It has already opened a dialogue with Israel at the bureau director's level. The ministry also plans to hold the first round of consultations with the PLO by inviting its leaders to Japan in the near future. It plans to provide active support to help attain direct dialogues between the Israelis and Palestinians.

When they visited Japan in succession last fall, basic agreements were reached with PLO Chairman 'Arafat and Israeli Foreign Minister Arens on holding political dialogues with Israel and the PLO respectively. In February a key Israeli Foreign Ministry official visited Japan to exchange views on the peace issue with Watanabe, director general of the Foreign Ministry Middle Eastern and African Affairs Bureau, and other officials. Adjustments on itineraries are now under way with the PLO, and some of its leading members are scheduled to visit Tokyo for talks with Watanabe and other officials in April at the earliest. At these talks, Japan will express its support for Chairman 'Arafat's moderate line and appeal for bringing about a dialogue with Israel. Japan is being called on by the United States, Egypt, and other interested parties to play a political role in Middle Eastern peace. The Foreign Ministry is pursuing a peace policy, acting in concert with the United States. It is making appeals to support U.S. Secretary of State Baker's call for a direct Israeli-Palestinian dialogue.

On the other hand, the Foreign Ministry is strengthening its diplomacy toward oil-producing countries as well. It has been decided that President Zayid of the United Arab Emirates (UAE), the largest crude oil supplier to Japan, will visit Japan from 13 to 19 May. At his summit talks with Prime Minister Kaifu, he is expected to confirm his country's stable supply of crude oil to Japan and take up for discussion the expansion of technological cooperation and private investments from Japan. Last January, Nazir, Saudi Arabian minister of petroleum and mineral resources, visited Japan. On 3 April, Iraqi Oil Minister Chalabi is scheduled to visit Japan to hold talks with Foreign Minister Nakayama and International Trade and Industry Minister Muto. All this is based on the judgment that it is necessary to strengthen ties with oil-producing countries in the future while the crude oil situation is still stable today. The Foreign Ministry plans to strengthen Japan's position in the Middle East by providing lateral support to Middle Eastern peace and expanding diplomatic ties with oil-producing countries. It is closely studying the possibility of a Middle East tour by Prime Minister Kaifu or Foreign Minister Nakayama, holding that such a tour is "a task that should be accomplished as early as possible" (as a Foreign Ministry source puts it).

Iraq Seeks Financial Assistance for Oil Fields

OW0904050990 Tokyo NIHON KEIZAI SHIMBUN in Japanese 6 Apr 90 Morning Edition p 11 —FOR OFFICIAL USE ONLY

[Interview with Iraqi Oil Minister Isam Al-Jalabi on 5 April in Tokyo]

[Text] [NIHON KEIZAI SHIMBUN] Iraq is reportedly asking Japan to increase crude oil imports and to provide financial assistance in developing oil fields.

[Al-Jalabi] Among other things, Iraq is asking Japan to increase crude oil imports. Japan imports more than 3 million barrels (one barrel is about 159 liters) of crude oil a day, but its imports from Iraq stand at only 200,000 barrels. Iraq has increased its crude oil production capacity, and its crude oil deposits amount to 100 billion barrels. Our nation has loading facilities in the Persian Gulf, the Red Sea, and the Mediterranean. Japan's demand for crude oil is growing, and I hope Japan will increase its crude oil imports from Iraq.

[NIHON KEIZAI SHIMBUN] What sort of financial assistance are you seeking from Japan?

[Al-Jalabi] World demand for petroleum is growing, and only two or three nations of the Organization of Petroleum Exporting Countries (OPEC) have increased their production capacities. The production capacity of OPEC members is expected to reach its limit within two or three years. Iraq aims to increase its production capacity to stabilize the oil market and avert another oil crisis. Iraq has oil fields tapped in the 1970's, but it has been unable to develop them because of the war with Iran. We want to develop them to finance post-war reconstruction and develop our economy. The only thing in short supply is money. In view of Japan's growing demand for crude oil, Japan's financial assistance will benefit both countries and will also lead to strengthening relations between the two countries. Japan will be able to secure a stable supply of crude oil.

[NIHON KEIZAI SHIMBUN] Specifically, what oil fields do you have in mind?

[Al-Jalabi] It can be said that what I have in mind are all the oil fields, but specifically, I hope Japan will join us in developing one to four 4 oil fields. We hope that in addition to Japan's financial assistance, Japanese construction firms, engineering firms, and pipeline makers will participate in developing the oil fields. Iraq's daily production capacity is now 4.5 million barrels; we want to increase the capacity to about 6 million barrels.

[NIHON KEIZAI SHIMBUN] What benefits can Japan expect from this financial assistance?

[Al-Jalabi] Japan will be able to secure a stable source of crude oil. Among oil fields to be developed, some oil fields will produce light crude which Japan favors. Iraq will absorb the risks involved in developing the oil fields. Once production begins, we will immediately repay in crude oil. We would like to examine the various conditions with the Japanese side in the future. I came to Japan together with geological experts.

[NIHON KEIZAI SHIMBUN] What response have you had so far from the Japanese side?

[Al-Jalabi] I have had no definite response from the Japanese side. I understand it will take time for the Japanese side to decide on my offers.

National Affairs

Business Leaders Grow Pessimistic About Economy

OW0704182090 Tokyo THE JAPAN ECONOMIC JOURNAL in English 7 Apr 90 p 3—FOR OFFICIAL USE ONLY

[Text] Confidence of top business people in Japan's economy is eroding, according to a recent survey by NIHON KEIZAI SHIMBUN Inc. The survey, conducted in early March among presidents of Japan's 119 major firms, of which 107 replied, found that 41 percent of the respondents believe that the Japanese economy will face a turning point in the first half of fiscal 1990 started April 1. Of the 41 percent, 24 percent expected the domestic economy to decline in the first half of fiscal 1990, while 17 percent felt that it had reached a plateau or could decline slightly. In the meantime, 58 percent said the economy would remain at its current level, the majority opinion in this group, or continue rising in the next six months.

In the previous survey conducted last September, only 14 percent of the company heads surveyed expected such a turning point in the second half of fiscal 1989. And fully half said they believed the economy would continue to grow, compared with only 17 percent in the current poll. With regard to the present state of the domestic economy, those who said it is on the rise accounted for 30 percent of the total, down from more than half in the previous survey. And those who said the economy has reached a plateau hit 54 percent, up from the 41 percent of the earlier poll.

Asked to predict the yen's exchange rate against the dollar by the end of next September, 39 percent cited the range of Y146-150, while 34 percent predicted Y151-155 and only 6 percent said Y156- 160, the present level. The figures showed that most Japanese corporate leaders believe the yen will start appreciating again in the coming months. Regarding the level of the Nikkei Stock Average at the end of September, 29 percent said Y35,000, followed by 19 percent who guessed Y33,000 and 11 percent who predicted Y30,000. The answers of all the presidents averaged Y32,800.

About prospects for the cost of crude oil, those who said prices would rise above the current level in the first half of fiscal 1990 accounted for 27 percent, more than double the 12 percent of the previous survey. Meanwhile, the survey showed that Japanese business leaders are becoming more optimistic about the future of the U.S. economy. Although two-thirds of the respondents said the U.S. economy would level off in the coming six months, those who said it will continue rising rose 10 percentage points from the previous poll to 17 percent.

Paper Reports Economy 'Starting To Look Bleak'

OW0704194490 Tokyo ASAHI EVENING NEWS in English 5 Apr 90 p 4—FOR OFFICIAL USE ONLY

[Text] Things are starting to look bleak for economic giant Japan. The country's economy had mushroomed to one of the highest levels in the world thanks to low interest rates and the high value of the yen against foreign currencies. It has also thrived on the resultant high prices for stocks and land. The practice by major corporations of holding shares of affiliated companies and the now infamous long workdays of the Japanese also helped the country's thriving economy to expand further.

The facade of the economic giant, however, is falling apart. It is evident in the recent drop in the value of the yen against the dollar and the continued decline in the Tokyo stock market this year. The weaker yen in recent weeks only shows that Japan's standing in the world is going downhill. Moreover, while Japan had enjoyed its prosperity it had forgotten to account for the changing times in its economic structures until the United States pointed out the need during the Structural Impediments Initiative talks between the two nations. The government, however, maintains that the nation's economy is in good condition. According to Finance Minister Ryutaro Hashimoto: "The fundamentals of the Japanese economy are still sound." The government, citing major economic indicators, said economic expansion entered its 41st straight month in April. "Japan's economy is expanding in a balanced way and is in the best condition among the industrialized nations," said Yasushi Mieno, governor of the Bank of Japan.

Contradicting such comments were the April 2 plunges of both the yen and Tokyo stock prices. The yen, which started to fall gradually in value against the dollar last year, at one point on April 2 broke the Y160-to-the-dollar barrier for the first time since Deember 1986. On the Tokyo Stock Exchange too, prices plunged beginning earlier this year and registered their second worst decline since October 1987 on April 2. In order to stop the decline in the market and the yen's value the importance of international cooperation in maintaining stability in foreign exchange must be reconfirmed at the meeting of financial ministers and central bank officials of the Group of Seven (G-7) leading industrialized nations. It is scheduled to begin April 7 in Paris. But it will probably be difficult to win collaboration from other nations.

Uncertainties in Prospects for Economy Viewed

OW1304040990 Tokyo MAINICHI DAILY NEWS in English 10 Apr 90 p 6—FOR OFFICIAL USE ONLY

["Prospectives" column by MAINICHI SHIMBUN's Toshinori Honma: "Uncertainty Emerging"; paragraphs under the subhead "The Optimist's View" are by Yoshikazu Kano, chairman of the National Economic Research Association; paragraphs under the subhead "The Pessimist's View" are by Kazuaki Harada, director of the Sanwa Research Institute]

[Text] **The Optimist's View**

For a start, the triple demerits for the financial markets and the actual economic conditions are not related. Far too many people have linked these two ideas. Japan's economy is at present in a stable condition. Corporations are still making investments and the size of these investments is up on that of two years ago. In fact some large institutions are just concluding their investments.

Worries about a rise in prices as a result of the weak yen are unfounded. An increase in production can absorb this trend. Also individual consumer spending will rise as a result of higher wages negotiated in this year's "spring offensive." I believe that the current triple merits are doing a good service in cooling off markets that have been too bullish.

The Pessimist's View

If these triple demerits are a temporary phenomenon then general economic conditions will eventually make an upturn. However, I don't believe they are temporary. The current weak yen is the result of expectations to boost American interest rates and the fact that overseas direct investment has developed as much as it has. The government has wanted to reduce foreign criticism of Japanese overseas buying power, and is wary of German unification.

When we look at the semiconductor industry, electronics industry, chemicals, paper and pulp industries, we see that production is slowing. And investment by small- and medium-sized companies is also slowing. With current low stock prices, individual domestic consumer rates are also likely to slow.

[Toshinori Honma] Since the beginning of the year, Japan's stock and foreign exchange markets have fluctuated so wildly that it has caused a major loss in confidence in the country's economic situation. Only three months ago, at the end of last year, noted economists and financial commentators could be heard preaching the continued strength and stability of the Japanese economy. These forecasts now appear to have been way off the mark. At such times of economic insecurity, cool and realistic analysis is important. The inaccurate forecasts of three months ago have led Japanese investors to lose confidence in their own economy.

Looking back over the development of the Japanese economy, it seems that a large influence came from the September 1985 Plaza Accord, in which the yen-dollar rate was agreed upon and support thereof pledged by the G7 Group of Seven (G-7) industrial nations.

One of the aims of the Plaza Accord agreement was to shift the Japanese economy from one heavily dependent on exports to one that encouraged a move toward stronger domestic consumption.

At the time, the prospects of a strong yen was criticized domestically as an impediment to exports. "This development will cause our industry to collapse," was the comment commonly heard in Tokyo after the Plaza meeting.

However there was a clear advantage in the offing in the form of cheaper imports, and crude oil prices also stabilized as a result. To stimulate the domestic economy, the government spent more in public projects and the Bank of Japan adopted a low interest rate policy.

Having taken the high yen in its stride and adapted to take advantage of it, the Japanese economy began its climb upwards from November 1986. Forty consecutive months of self-regulated growth occurred.

The high yen allowed the volume of imported goods to grow and played a role to curb inflation. And at the same time it stimulated the development of Japanese industry overseas.

Recently Japan's huge trade surplus has begun to contract. And with the recent dramatic increase in overseas travel among Japanese, the surplus figures are still shrinking.

Japan's relatively low interest rates have allowed cheap borrowing for the purpose of making money elsewhere. Companies have increasingly been putting their surplus funds into investments for facilities as well as into stocks.

If we view the three factors of a strong yen, stable oil prices and low interest rates as the triple merits of the Japanese economy, it is easy to see why stock prices have gone up as they have.

Things have changed. Last year oil prices began rising. The current financial market turbulence has been triggered by the combination of a weak yen, weaker stock prices, higher interest rates and higher oil prices. A complete reversal has occurred in all the factors held responsible for the strength of the Japanese economy. We have a situation of triple demerits.

According to one pessimistic commentator, "The rosy outlook for the Japanese economy has collapsed and the fundamentals that dictate the economy have also changed."

The optimists, however, say "The current instability is merely a temporary phenomenon. If we leave markets to their underlying strengths conditions will stabilize. Our markets have such a strong base that whatever happens on the surface, they will always return to normal."

There is no doubt that since the autumn of last year the tempo of the nation's economic performance showed. The forecast from the Economic Planning Agency issued last year, covering three months from November, showed a cut of 50 percent in the figures. And the Ministry of International Trade and Industry put out figures in February showing a negative figure for industrial production, the first in that sector for five months.

The stock and foreign exchange markets in a very short space of time appear to have lost the bedrock upon which their strength was built. It is difficult to measure the extent of the damage.

The premise upon which forecasts have been used has changed, rendering foreign exchange and interest rate predictions inadequate. And to make matters worse, the figures that reflect actual economic conditions tend to come out one month or sometimes two months late making analysis of today's rapidly changing markets more or less impossible.

Unease in the industrial sector is growing. According to Seibu Department Store, which used to sell jewelry, fine art and other high priced goods like hot cakes, "Our sales of luxury goods are likely to slow fast." Toyota Motors is already worrying how the economic outlook will effect sales of its luxury cars. An increasing number of companies have canceled their planned equity financing and are revising their plant investment plans.

However, Masaru Yoshitomi, head of the Economic Research Institute in the Economic Planning Agency is realistic. "Unless we wait at least until the first quarter is over we cannot really compare statistics. If we judge the movements of the economy on yesterday's changes in the stock markets or the foreign exchange markets we we are making a mistake. This is too short-term a view."

To take one possible scenario, the yen remains weak, stock markets remain sluggish and interest rates remain high. The present mood is likely to continue. Although the speed of growth will slown down, the economy continues to grow until summer because individual comsumption and planned investments by corporations does not decline immediately.

Then the disappearance of the triple demerits will balance out the weakness of the economy and a gradual strengthening should occur. There should be little panic because of the gradual changes and no fundamental alteration in the structure of the economy.

One thing is for sure. The recent slumps in the stock market have forced investors, institutional and individual alike, to become more aware of the risks of their investments. The market correction has brought an end to complacency.

* Future of Auto Industry, Exports Examined

902A0098 Tokyo EKONOMISUTO in Japanese 13 Feb 90 pp 59-61—FOR OFFICIAL USE ONLY

[Article by Daily Automobile News editorial section chief, Sadayuki Kuriyama: "Japan Must Learn From the Experience of the U.S. Automobile Industry"]

[Text] Spurred on by favorable domestic demand, Japanese automobile manufacturers are rapidly forging ahead with capital investments. However, if they overproduce, and then cannot shift to exportation, they risk an impasse.

Last year, domestic automobile sales were a record 7 million. Counting only registered cars, this represents an extraordinary two-digit growth of 22.9 percent over the previous year.

However, there is concern that the strong desire of automobile manufacturers to make capital investments, which has been stimulated by favorable domestic demand, will very soon lead to "over-investment." Some say that an "automobile war" will begin. Furthermore, foreign analysts have pointed out that "domestic demand has made the Japanese automobile manufacturers overconfident," and that "the current situation (of prosperity) is an aberration."

The automobile industry employs approximately 750,000 people in manufacturing divisions, and approximately 1.13 million in distribution divisions (Japan Automobile Manufacturers' Association statistics), and their families depend on the industry for their livelihood. Chaos in the automobile industry must be avoided, now and in the future. Talk about "war" is ill-advised.

MITI's [Ministry of International Trade and Industry] Anxieties

At the heart of the problem is a statement made last August in Nagoya by administrative vice minister for international trade and industry, Koji Kodama, who participated in a roundtable conference there with members of the financial and industrial community. In this statement, he expressed concern about the overproduction of automobiles, and encouraged the industry to reconsider large-scale capital investment.

While this statement may not have been intended to give orders concerning capital investments to enterprises, its essence was "the Japanese automobile industry has a high export ratio, and overseas production, especially in the United States, is proceeding full-scale. New-car sales and labor-saving investments aside, the advisability of capital investments directly linked to increased production capacity is questionable."

It was only recently that the opinion was expressed that this statement was part of a plan for "revenge" intended to strangle the automobile industry, because some members of the automobile industrial community had criticized the Liberal Democratic Party government, even though the industry had received the "benefits" of the introduction of the consumption tax, and the abolition of the commodity tax.

Nevertheless, it is certainly a fact the current shortage of production capability caused by the domestic market boom has stimulated the desire of automobile manufacturers to make capital investments, which has been further stimulated by competition between manufacturers.

The focus of capital investment is research and development, which had been 10 percent of the total amount, but now will reportedly be increased to approximately 20 percent, and the renovation of facilities over a period of approximately four years, which accompanies model changes. Also included, of course, are labor-saving investments to counter difficulties in labor force supply and demand.

But capital investments continue. It has been reported that Toyota is in the process of building an assembly line which will produce 100,000 cars per year at its Tahara plant in Tahara, Aiichi Prefecture, scheduled for completion this fall. Honda is expanding its Suzuka factory in Mie Prefecture, and building a sports car factory in Haga, Tochigi Prefecture, which will produce 6,000 cars per year. Nissan is adding an assembly line scheduled to produce 240,000 cars per year at its Kyushu plant in Kanda, Fukuoka Prefecture, and aiming to start operation in the Fall of 1991. Matsuda is proceeding with site acquisition at its plant in Hofu City, Yamaguchi Prefecture, so that it can add an assembly line for the production of 200,000 cars per year.

Using this sort of production system, Toyota plans to sell 2.5 million cars per year, Nissan, 1.5 million, Honda and Matsuda, 800,000—each firm explains that its goal is increased domestic sales.

The reason for MITI's anxiety about these activities is that an increase in production on the part of Japan's automobile manufacturers, which already have unrivalled international competitive strength, will cause irritation abroad. In fact, U.S. Government sources have pointed out that "an excess of supply capacity and an increase in capital investments will lead to an increase in Japan's exports."

Up to the mid-1970's, circumstances caused an increased demand in the overseas market. However, in 1981 voluntary restraints on exports to the major market, the United States, were initiated. The total U.S. production of 210,000 automobiles by Japanese plants in the United States, combined with the number of Japanese-made automobiles coming in from Canada, permitted by the U.S.-Canada Automobile Agreement, adds up to approximately 240,000 automobiles. If one then adds the 230,000 automobiles allowed within the limits of the voluntary export restraints, one ends up with a figure which covers roughly half the 1 million-car annual demand of the U.S. market.

Apart from whether or not this becomes a reality, there is already criticism about an "overpresence."

On the other hand, the EC market is in a state of virtually controlled trade. It is difficult to foresee what the situation will be after market unification in 1992, particularly with respect to automobile import and export trade.

The "Safety Valve" That Doesn't Work

With this sort of situation, the "safety valve" of former times will not function. On the contrary, there have been requests from the overseas production bases for increased reimport shipments. There is also a trend toward importations to Japan, in order to support the operation level at overseas plants.

A rough assessment shows this trend following a pattern where oversupply leads to chaos in the domestic market (see Table 1).

Of course, there is also the point of view that this will not happen.

For instance, the kinds of increases in capital investment currently being planned by automobile manufacturers are not those which were normal in the past—simple volume production— cost reduction. In order to respond to the diversification of consumer requirements, the nature of the industry is undergoing a qualitative change, leading to the creation of flexible plants which can handle order specifications practically on a car-by-car basis. Furthermore, all plants, including overseas plants, are not continually in full operation.

For a forecast of domestic demand, we refer to the following figures, contained in a report entitled "Toward a High-Level 21st Century Automobile Society," compiled in June of 1989, following a private roundtable conference—the "Automobile Problem Roundtable Conference" (chairman: Tsutomu Oshima, then vice president of Toyota Motor Corporation)—sponsored by the director of the Machinery and Information Industries Bureau of MITI.

According to this report, the domestic demand for new automobiles in 1995 will be approximately 7.8 million (2 percent average annual growth rate) and, in 2000, approximately 8.5 million (1.7 percent average annual growth rate) (see Table 2). The forecast number of automobiles in reserve, in this case, would be approximately 6.4 million, and 7.2 million, respectively.

This forecast assumes a smooth shift to a domestic demand-driven Japanese economy. And, one must also be mindful of business conditions, the progress of the

Tenth Five-Year Road Improvement Plan and measures to improve the flow of traffic, the handling of NO_x and CO_2 problems, energy prices, and labor supply and demand.

In any case, the domestic automobile market growth rate will not be negative or flat—the intermediate prospects are for a slow, but continuous growth.

There is another point which cannot be overlooked. That is the number of three- and four-wheeled vehicles in reserve (more than 5.24 million), of which automobiles alone account for 3.077 million (as of the end of December, 1988)—in other words, the management of stock on the market. If, in the next 10 years, there were to be a complete turnover of all the automobiles now on the market, then an annual demand for 5.2 million cars would be generated. But, of course, the automobile business involves more than the sale of new automobiles. And there is certainly no other industry which is assured of this sort of "minimum guarantee," or which has such a stable demand basis.

However, one cannot be overly optimistic and disregard all the problems. It is important to be aware of the fact that the demand for automobiles is linked to economic conditions. The problem is what to do if the supply and demand situation becomes unbalanced—will it be necessary to shift to exportation?

The Road to Stable Development

With this sort of situation, there is only one road which will lead to the stable development of Japan's automobile industry. And that is to take advantage, in a good sense, of the experience of the United States, the "pioneer automobile nation."

The United States, too, experienced a demand fluctuation in the 1980's. And it was not of the steady growth type. Specifically, the peak between 1980 and 1988 was in 1985, with a production of 7,877,476 automobiles, and the bottom was in 1982, with a production of 5,485,711 automobiles. Taking the former as 100 percent, the latter represents an operation rate of only 69.6 percent. Of course, this type of demand fluctuation had occurred in the past, also, but the Big Three were able to deal with the situation.

In the United States, a system exists where workers are laid off, and it is easy to close down a plant. At the distribution level, the close relationship between manufacturer and dealer, and the feeling that their fortunes are tied together, do not exist in the United States. Therefore, the U.S. automobile industry was able to cope with the demand fluctuation, but this process could not be transplanted to Japan. However, the ability to forecast when the demand will bottom out, and to set up a system which can deal with that situation are necessary for the automobile industry to make a soft landing.

Is it possible to create a production system which can cope flexibly with demand? Is there a way to develop products which closely track customers' requirements? Is it possible to have a service system which can raise the customer satisfaction level, and is it safe to augment the dealers' management structure so that they have the luxury of doing this?

Perhaps it is possible to work toward improving the social environment and the traffic situation in which automobiles operate, if all the manufacturers work together. What cannot be done in the United States may be possible in Japan.

Or, putting the subject of the United States aside, perhaps we have a better model closer to home.

That would be the lesson to be learned from the experience of the large truck industry. This year production of 170,000-175,000 trucks is planned, but in the first five years of the 1980's, it broke the 120,000 mark, ultimately resulting in excessive production and competition for sales. Of course, the market for automobiles and small trucks differs from the market for large trucks, whose users can be predicted. However, with an overcompetitive structure which continues for years on end, the automobile industry cannot become a mature one. It is time to take advantage of the current prosperity and the energy of the industry to eradicate the bad name the industry has acquired.

Table 1 - Automobile Manufacturers' Projected Sales for 1990 (includes imported automobiles)

Manufacturer	Domestic Sales			Exports		
	Projection for 1990	1989 Results	Percent Comparison	Projection for 1990	1989 Results	Percent Comparison
Toyota	2,480,000	2,308,779	(107.4)	1,680,000	1,669,130	(100.7)
Nissan	1,374,000	1,319,049	(104.2)	1,070,000	1,064,172	(100.5)
Honda	715,000	663,126	(107.8)	660,000	684,201	(96.5)
Mitsubishi	700,000	665,191	(105.2)	600,000	585,034	(102.6)
Matsuda	550,000	483,759	(113.7)	600,000	601,443	(99.8)
Suzuki	542,000	510,834	(106.1)	305,000	320,720	(95.1)
Daihatsu	535,000	509,525	(105.0)	136,800	142,833	(95.8)
Fuji Heavy Industries	340,000	313,240	(108.5)	250,000	217,232	(115.1)

Table 1 - Automobile Manufacturers' Projected Sales for 1990 (includes imported automobiles) (Continued)

Manufacturer	Domestic Sales			Exports		
	Projection for 1990	1989 Results	Percent Comparison	Projection for 1990	1989 Results	Percent Comparison
Isuzu	209,000	203,383	(102.8)	381,000	335,524	(107.1)
Hino	60,600	59,599	(101.7)	35,000	30,054	(116.5)
Nissan D	38,600	38,016	(101.5)	20,200	17,234	(117.2)
Imported Automobiles	240,000	182,168	(131.7)	—	—	—
Total	7,784,200	7,256,836	(107.3)	5,938,000	5,887,577	(100.8)

Notes: 1) 1989 results from the Japan Automobile Dealers Association and the National Light Automobile Association (preliminary figures); 2) Export results courtesy of the manufacturers (preliminary figures) (Courtesy of DAILY AUTOMOBILE NEWS)

Table 2 - Trends in the Domestic Demand for New Automobiles

	1988	1989	Percentage Comparison	1995	2000
Registered automobiles	4,971,107	5,561,594	111.9%	—	—
Light automobiles	1,749,995	1,695,242	96.9	—	—
Total	6,721,102	7,256,836	107.9	7,800,000	8,500,000

Note: Figures obtained from the Japan Automobile Dealers Association and the National Light Automobile Association. Figures for 1995 and 2000 from the Automobile Problem Roundtable Conference forecast.

Crime Organizations Invest in Stock Market

OW0704203490 Tokyo THE DAILY YOMIURI in English 5 Apr 90 p 3—FOR OFFICIAL USE ONLY

[Text] The nation's yakuza syndicates are raking in huge profits by investing in stock transactions, law enforcement officials revealed recently. Using money collected from affiliates and funds from wholly owned real estate companies, crime organizations are buying and selling stocks in Kabutocho, Tokyo's Wall Street, and recycling the earnings to the groups. One organization, the Inagawa-kai syndicate, as well as companies closely linked with it, have reportedly earned several hundred million yen on the stock market. The 7,500-member gang set up several companies specializing in stock trading such as Hokusho Sangyo, a real estate company based in Chiyoda-ku, Tokyo, Metropolitan Police Department [MPD] officials said. The MPD is keeping a close eye on Hokusho Sangyo, because it is believed to be run by Susumu Ishii, chairman and the No. 2 man in the Inagawa-kai.

Suspicious Growth

Buoyed by the land transaction boom, Hokusho Sangyo boosted its annual earnings to Y12.2 billion in 1987, almost 50 times as large as the previous year and in 1988 the company built its head office in Kojimachi where a 3.3-square-meter plot of land was selling for no less than Y50 million, according to the MPD. An executive at a medium-sized securities firm put it at several hundred million yen per year. Hokusho's fantastic growth, considered to be far beyond what could be attained through normal, legal business practices, was shored up by two factors: massive loans from Showa Lease, a financing company affiliated with the Kyowa Bank Co., and a guarantee of backing from a well-known transport company, MPD investigators said.

The Inagawa-kai is not the only underworld organization playing the stock market. A Kyushu-affiliate of the Yamaguchi-gumi, the nation's largest crime syndicate, is believed to have secretly loaned a massive amount of money to a finance company by funneling the money through an investment counseling company, according to the National Police Agency [NPA], which is tracing the flow of the gang's funds. The investment counseling company is allegedly headed by an "undercover sydicate member,"—a so-called "corporate gangster." In 1989 the finance company distributed several hundred million yen in profits from stock speculation among top members of the Kyushu organization, NPA investigators said.

Out in the Open

In the past, investigators say, crime syndicates earned money secretly on the stock market by taking advantage of speculative deals or by lending money to stock speculators. In recent years, however, more and more are openly engaging in stock transactions. As an example, investigators cite the incident last fall when rumors spread among Japan's securities companies that crime organizations across the country were buying up shares in a Tokyu Corp.-affiliated company. A rush on the stock ensued and the company's stocks soared in value. The NPA believe that the event was a signal that yakuza had gained influence in the stock market, and are now taking the initiative in stock transactions.

Serious Losses

However, the recent stock market crash in Tokyo has triggered fears that criminal organizations involved in stock speculation will turn to violence. "Most yakuza are engaged in stock dealings and so the recent sharp fall in stock prices dealt them a serious blow," one stock speculator in Kabutocho said. "Some speculators who were managing funds for yakuza are now being harassed by gang members for failing to produce profits from their money." Japan's organized crime groups, with combined annual earnings estimated at Y1.3 trillion, are also said to be turning their attention to two other lucrative forms of "zaiteku" (financial engineering): the oil painting market and developing golf courses. To work their way into the Y500 billion oil painting market, crime syndicates extend high interest loans and take famous paintings as collateral. Every time borrowers fail to pay back their loans, the syndicate winds up with another pricey oil painting at a bargain price, investigators say, adding that some groups even own their own galleries.

Learning the Arts

When Gekkoso, a long-famous gallery in Tokyo's fashionable Ginza district, went bankrupt recently most of its nearly 100 world famous oil paintings—especially those by French artist Maurice Utrillo—were said to have been bought up by a Tokyo gallery affiliated with the Sumiyoshi Rengo-kai syndicate. The president of a medium-sized gallery in Ginza, who is said to be associated with a underworld gang, warmed that the oil painting market may soon be overrun by yakuza, since it is so easy to earn quick money there.

The diversified business activities of organized crime have led to more stringent calls from the public demanding law enforcers to curb their activities and the NPA is now trying to come up with measures to crack down on the yakuza. Presently, the NPA is keeping a close eye on the "corporate gangster" system, which some yakuza are practicing as a new, legal corporate strategy to raise money. Under the system, a syndicate sends several unregistered syndicate members to its affiliated companies, which serve as the group's source of funds. In this way, the syndicate is able to sneak its members into the corporate world where they pose as legitimate businessmen.

Kaifu, Defense Chief Differ on Defense Outline

OW1204003590 Tokyo THE DAILY YOMIURI in English 10 Apr 90 p 1—FOR OFFICIAL USE ONLY

[Text] Prime Minister Toshiki Kaifu, noting a rapidly changing international situation, Monday suggested the possibility of scaling down the current National Defense Program Outline while working out the next defense plan, which will run for several years from fiscal 1991.

Defense Agency Director General Yozo Ishikawa contradicted the prime minister by saying that the rapid changes, particularly those occurring in Europe, do not necessitate any amendment of the defense program outline, which was formulated in 1976.

Their remarks came in response to interpellations by Komeito's Yuichi Ichikawa at a meeting of the House of Representatives Budget Committee.

Referring to the rapidly changing European situation, which is leading to an easing of political tentions, Ichikawa asked both Kaifu and Ishikawa about possible revisions to the defense program outline and a freeze of the current defense budget.

Kaifu said that the government would discuss the defense issue and review the 1976 defense program outline with the National Security Council as the central body, taking the international situation and fiscal and economic conditions into consideration.

Kaifu's words were taken to mean that he was contemplating revisions to the defense program outline that would scale it down.

Speaking about the next defense plan, the prime minister said that the government would go ahead with a moderate defense buildup based on the spirit of Japan's peace-oriented Constitution and long-observed defense-only policy.

He said that the basic national defense stance was to defend the nation's security and peace, but that Japan should avoid becoming a military giant.

Contrarily, Ishikawa expressed his interpretation of international circumstances by saying that the situation in the Asia-Pacific region has not necessarily changed, despite rapid changes in other areas of the world.

His words were construed to indicate that the great changes in Europe do not necessitate any changes to the defense program outline.

Commenting on the differences between Kaifu's and Ishikawa's views of the National Defense Program Outline, Akira Hiyoshi, Defense Agency Defense Policy bureau director, said that the Defense Agency considers there to have been no basic change in the international situation on which the outline was predicated.

He said that the agency was working to devise a draft for the next defense plan based on this consideration.

He went on to say that the final decision on the content of the next defense plan would be made at a political meeting at a decisionmaking level, suggesting that the prime minister would make the final decision.

His words were taken to suggest that the remarks made by Ishikawa, which superficially contradicted what Kaifu said, were no more than a Defense Agency-level reaction.

At a meeting in December 1988, the National Security Council adopted the view that the next defense program should follow the existing midterm defense buildup program in light of the international situation and technolocial advancement among individual countries.

So far the term "review" in discussions about the defense program has signified a build up, but Kaifu's use of "review" apparently meant a scale-down.

Political observers explained that Kaifu's suggestion to review the National Defense Program Outline showed an eagerness to express his reaction to the rapidly changing international situation.

However, they also noted that the National Defense Program Outline provides a guideline for a minimum defense capacity in peacetime and that a segment of the government and the Liberal Democratic Party may negatively respond to Kaifu's idea that it be scaled down, as Soviet military capabilities in the Far East have not yet been curtailed.

The Defense Agency also is cautious about any controversy that may lead to the curtailment of the defense program outline.

In a press conference Monday afternoon Kaifu admitted to reporters that his remarks before the Diet covered a review of the 1976 National Defense Program Outline.

Defense Official Says Soviet Threat Continues

OW0604025890 Tokyo ASAHI EVENING NEWS in English 4 Apr 90 p 3—FOR OFFICIAL USE ONLY

[Text] Director-General Yozo Ishikawa of the Defense Agency said in the Diet Tuesday that the military threat of the Soviet Union still exists. Answering questions in the Lower House Budget Committee, he added that the situation within the Soviet Union, including the Lithuanian and other ethnic problems, did not permit the Soviet Union to take adequate tension-easing measures in the Asia-Pacific area. Ishikawa listed the following reasons for his contention that the Soviet threat continues to exist:

1. The military stockpile of the Soviet Union, which has been built up since the 1960s, is huge. President Mikhail Gorbachev is reducing troop strength in the Far East also, but even if the quantity is reduced, the quality is being upgraded.
2. In Europe supervision of armaments and disarmament is being carried out, but the Asia-Pacific area is different in character from Europe.

Defense Official Speaks on Information Command

OW0504080790 Tokyo YOMIURI SHIMBUN in Japanese 2 Apr 90 Morning Edition p 2 —FOR OFFICIAL USE ONLY

[Text] The Defense Agency [DA] has firmed up a policy 1) to time the activation of the "Information Command" (tentative name) with the DA's move from its present site in Roppongi to Ichigaya in Tokyo in 1993, and 2) to have a uniformed "general" grade officer head the 1,800-man organization staffed by personnel reassigned to it. The creation of the "Information Command" is a key part of the next term defense buildup plan starting in 1991.

This was disclosed by a senior official of the DA on 1 April. According to him, a project team composed of personnel from the Ground, Maritime, and Air Staff Offices and led by the First Defense Intelligence Division of the DA Defense Policy Bureau will draw up the blueprint for the program.

The "Information Command" is intended to integrate under one umbrella the functions of information gathering, review, and analysis now handled by the Defense Policy Bureau and the three services of the Ground, Maritime, and Air Self-Defense Forces. By creating this organization, the DA hopes to achieve a speedy and accurate flow of information and instructions from those in command positions, like the prime minister and the DA chief, to the various units on the frontline.

The organization is also regarded as a step forward toward establishing in future the so-called Triple-CI (command, control, communications and information) system which is said to be most efficient in contingency situations as seen in the U.S. Defense Deparment's Defense Information Agency which it is modeled after.

The new organization will require such equipment as large computers, and such highly functional communicatons systems as the Integrated Defense Digital Network (IDDN) will be an integral part of its equipment.

Specifically, according to the present "Information Command" plan, the Joint Staff Council and the staff offices of the Ground, Maritime, and Air Self-Defense Forces are expected to participate in the program in addition to the First and Second Intelligence Divisions of the DA Defense Policy Bureau. The plan also envisages having 800 persons at the Ichigaya headquarters and 1,000 in local areas. The prevailing view is that the top man for the organization should be a uniformed officer of a rank equivalent to that of the Joint Staff Council secretary general, assisted by a deputy who is a civilian of councilor grade.

To put the plan into action, the DA regards it necessary to revise the Law on the Establishment of the DA. Consequently, the DA will begin drafting a revision to the law as soon as the concept concerning the organization is fixed.

* Question Arises About Military Power

902B0089A Tokyo SHOKUN in Japanese Feb 90 pp 176-184—FOR OFFICIAL USE ONLY

[Article by international military problems commentator, Kyudai Mineo: "Groundless Argument That Japan 'Will Become a Military Superpower'"]

[Text] Only Kissinger and the Chinese clamor about the unfounded "threat" from Japan. But we should not forget that it is here that America's carefully laid plans are concealed.

It seems that in the background of America's hard line toward Japan there lurks a sense of wariness of "Japan's transformation into a military superpower," which is attributable not so much to an analysis of the actual situation as to an excessive appraisal of Japan's "military power," resulting from an information gap. I feel this keenly every time I visit America.

When I first knocked on the door of the U.S. Defense Department in 1962, communication between Japan and the United States was still sparse, and to the ordinary American Japan was still "someplace way over there," dimly understood. The image of Japan as a defeated nation was strongly etched into the minds of much of the military, especially the Pentagon. Naturally, the understanding of these men concerning Japan's security problems and Self-Defense Forces [SDF] was limited, and I can recall being bombarded with questions from American officers, in between operations in Vietnam, about the "new Japanese Army." Their view of Japan's Self-Defense Forces [SDF] was the same as their view of the former Japanese Army; they believed that the tradition of "harakiri" survived as part of a "kamikaze" mentality, and that the SDF was a "powerful army of little men" wearing uniforms like those of the U.S. Army.

Nearly 30 years have passed since then, but with the exception of those who have served with the American forces in Japan, the understanding of Japan's military does not seem to have grown much deeper.

The view that "Japan will become a military superpower" is not as widespread as is imagined in Japan, but seems to be limited to the defense authorities and a portion of the ordinary intelligentsia.

However, discussing "Japan's transformation into a military superpower" with these people, in the final analysis, their logic is often that a strong "military capability" will spontaneously arise from Japan's current economic strength, or that at some point the former militaristic attitudes will return, or even the irrational argument that Japan will become a military superpower through the movements of exchange rates; in fact, the arguments are vague, and not necessarily deduced from a systematic, logical foundation. In actuality, the U.S. Government too feels a sense of irritation arising from economic distress, intricately intertwined with a fear that one day Japan will make use of its economic strength to become a military superpower, even possessing nuclear capability, at which point Japan might break away from America. Have the Americans not already mapped out a firm policy of defense against Japan?

Of course the U.S. Defense Department is no doubt diligently analyzing the proper value of Japan's military strength in the framework of a Far East military strategy premised on conflict with the Soviet Union, in light of prospects for the future, but that is definitely not something to be made public.

Meanwhile, as observed in the last issue, we can assume the existence of something like a set tolerance limit as the basic American demand concerning Japan's defense capacity. However, because that is not made clear, on the one hand America rejects the idea of Japan getting a "free ride on the Security Treaty," while on the other hand feelings of backlash are erupting as Americans, who harbor worries about "Japan's transformation into a military superpower," wonder "What on earth will Japan do?"

In Japan too this American fear that "Japan is becoming a military superpower" has come to be widely debated among members of the public.

The origin of that fear seems to lie chiefly in the words of former Secretary of State Kissinger, but what I cannot understand is why someone like Kissinger, who is professed by himself and others to be pro-Japanese, loses no opportunity to express, to the YOMIURI SHIMBUN and other Japanese mass media, not to mention the American media, the fear of the "revival of Japanese militarism."

Someone like Kissinger cannot be unaware that the situation in Japan with restrictions such as the Constitution, military policies solely for defense, and the declaration that Japan would not become a military power; and with the recruiting difficulties of the SDF, the public sentiment, and so on, is such that far from becoming a military superpower, Japan will be able to maintain its current military strength only with great difficulty.

Only China Is Afraid

Kissinger is telling people everywhere that "Allies sometimes go their separate ways. If pressure is applied the separation is even more likely. Japan will probably become a military power by the year 2010. If Japan breaks away from America, it will once again become a regional power in Asia"; and that "defensive strength is a means of protecting economic strength," but he knows that because of various restrictions Japan cannot strengthen its defense capability, so what could his true motivation be for boldly spreading such ideas?

Members of Kissinger's group hold important cabinet-level positions in the Bush administration, so what he says is difficult to overlook if only because of the influence his viewpoint has on the policies of that administration.

The report titled "Selective Deterrence" released in January 1988 by the Commission on Integrated Long-Term Strategy, composed of 13 members such as Kissinger, former National Security Advisor Brzezinski, and former Chief of Naval Operations Holloway, stated the following in a "Japan clause": "One important question affecting the strategic balance in the next several decades is whether or not Japan will become a military superpower. However, even if that choice is not made, Japan will probably exert influence on the strategic environment through its investment decisions alone. For example, a decision by Japan to aid the Soviet Union with technological development would assist in the strengthening of potential Soviet military power."

In short, the idea is that close attention must be paid to Japan, which has the potential to turn into a military superpower as its economic power grows.

Since that report came out, similar essays have appeared frequently in journals such as "Foreign Affairs," but Kissinger is the inspiration for these, and they have all been characterized by a similar tone.

Then there is the attitude that "if Japan follows the path of a military superpower, it will give rise to a strong distrust in the surrounding nations of Asia."

It is true that former U.S. Secretary of State Shultz, while in office in 1987, often stated that "Japan's transformation to a military superpower would cause great anxiety in Asia," and that in response Assistant Secretary of Defense Armitage countered, in THE WASHINGTON POST and elsewhere, that "It is not possible that Japan will become a threat to her neighbors," but what I still do not understand is which countries in Asia are afraid of Japan's becoming a military superpower.

After the war, one of the reasons then-Prime Minister Shigeru Yoshida formally resisted the firm demands from America for Japan's rearmament was the fear of Japan held by surrounding countries. But nearly 40 years later, the sense of threat those countries feel toward Japan is fading with each passing year; and particularly in the past few years, although something of a perception gap remains, it seems that it is a sense of trust toward Japan which is spreading, bound up with Japan's ODA [Official Development Assistance] and the like.

I have taken every opportunity to discuss our mutual views on security at symposia with the defense authorities, strategic researchers, and other specialists from these countries, but I have seen very little evidence of a fear of Japan's becoming a military superpower. In fact, there were more people who expressed a strong hope that Japan would now become an unshakable regional power in Southeast Asia.

This also agrees perfectly with the opinion expressed by former Assistant Secretary of Defense Armitage in a recent interview in Washington.

Moreover, turning to ordinary public opinion, we can say that the same thing is suggested, for example, by Singapore's Chinese-language newspaper LIAN HE ZAO BAO which said, in an editorial referring to the question of Japan's military spending exceeding one percent of GNP, that "the increase in Japan's military spending is not entirely a bad thing."

Although part of each country's perception of a "threat" is the difference in the strength of each country, at bottom there is a common understanding. That is that the "threat" arose because America, while temporarily intervening in the Vietnam war, also pulled back its forces from Southeast Asia under the Nixon doctrine; and the Soviet Union stepped into the resulting "power vacuum," establishing a political and military base in Vietnam, Laos, and Cambodia.

Because America gave great weight only to its strategy vis-a-vis the Soviets, it seems that the threat the countries of Southeast Asia see in China has been overlooked. With this way of thinking, the more the U.S. increases the extent of its reliance on China in order to deal effectively with the Soviet Union, the more she is seen as "weak America" in the eyes of Southeast Asia.

Incidentally, what we must take notice of is that when American intellectuals speak of "the voice of Southeast Asia," in most cases this is only a quotation of what China is saying, and almost never what is said by the other Southeast Asian countries. In the case of Japan's mass media, as in America, it has become a kind of fixed idea that the countries of Southeast Asia are acutely afraid of "Japan's increasing militarism," but although I may be repeating myself, that is China's "voice," and we must clearly distinguish it as such.

In the past few years China has been clearly expressing its anxieties about the increase in Japan's defense capabilities, and Kissinger and others are frequently, deliberately proclaiming that these are the "fears of neighboring countries." It seems that this is where Kissinger's strategy, which is completely "unreadable" to us, is concealed.

Be that as it may, I would like to examine if in fact Japan is already a military superpower, as some of the mass media are reporting, or if it is possible that Japan will become a military superpower in the future.

Recently in Japan it has not been the old argument about defense spending exceeding one percent of GNP, but rather the line of argument that the absolute amount of spending on defense has become very large, which has become more widely heard, and along with this the military superpower theory is beginning to appear. In reality, the "military superpower theory" is supported by the incredible fact that Japan's current defense expenditure, converted into dollars, exceeds the combined expenditures of China, North Korea, the Republic of Korea, Australia, New Zealand, and the five countries of ASEAN [Association of Southeast Asian Nations].

However, where this line of reasoning is misleading is in the fundamentally mistaken perception that "defense spending equals military power."

On 15 March 15 1988, Ronald Hayes, then the commander in chief of the U.S. Pacific Fleet, attracted attention for his testimony before the U.S. Senate Armed Services Committee that "Japan's defense spending, if converted at present exchange rates, surpasses those of England, France, and West Germany." Without a doubt, it is true that due to the abrupt strengthening of the yen, Japan's defense spending, if converted to dollars, amounts to an eye-popping figure.

The Delusion that "Defense Spending Equals Military Strength"

Iwate University Professor Hisao Iwajima, in an article he contributed to the 26 March 1988 edition of the NIHON KEIZAI SHIMBUN under the headline "Japan's Defense Spending Under a Strong Yen: Questioning Its Quality and How It Is Used," stated that "If the day arrives when one dollar is worth 100 yen, Japan seen from a dollar base will become a military superpower, which will inevitably cause other countries to be wary of Japan." The drafter of "Selective Deterrence," the report of the American Commission on Integrated Long-Term Strategy, who is a prominent consultant specializing in strategy, after stating that "if the yen continues to strengthen until one dollar equals 100 yen, the scale of Japan's defense capability at the present level of the defense budget will probably be sufficient," also said that "I believe that two important meanings are contained in that statement. One is that if the yen strengthens, Japan's capability will automatically increase. The other is that America believes that Japan's defense capability is already considerable."

Professor Iwajima asks whether "If one dollar becomes worth 100 yen, will Japan's defense capability not become truly powerful in substance?" and concludes that "logically speaking, the answer is 'yes.'"

Professor Iwajima also concludes that the amount of defense spending and defense capability do not necessarily correspond, but it is a little hard to understand the idea that if one dollar becomes worth 100 yen, the present scale of defense spending will logically buy just enough defense capability, and Japan will become a military superpower.

The idea that through movements in the exchange rate of the yen, unconnected to Japan's capabilities, Japan can become a military superpower or a military weakling, has to be called absurd, and completely divorced from reality.

First of all, this country's defense expenditure is not paid out abroad in dollars, so it is not something that is subject to fluctuations in the value of the yen; as domestic prices are stable, there is no fundamental change in the scale of the troop strength, weapons, equipment, and so on, which is determined by those domestic prices.

Therefore to take no account of this background and these realities, and to simply convert the absolute amount of defense spending into dollars, and to compare that dollar figure to the defense expenditures of other countries with different budgets and different economic conditions, on the basis of numbers alone, must be considered an extremely irrational approach.

For example, expenditures on personnel differ between countries with a system of conscription, which can freely recruit young men into the military; and countries such as Japan which have a volunteer system, and which have to compete with industry to obtain people. Therefore it is only natural that defense spending should vary correspondingly.

In addition, Japan's exports of the weapons it produces are strictly limited under the three principles on weapons exports, but the other countries in dispute export large quantities of weapons, making a great profit, and in addition lowering the production costs of weapons for domestic use through economies of scale; so defense procurement costs will inevitably come to differ. Furthermore, in the case of Japan, because a simple calculation shows that land prices are about 60 times what they are in America, huge amounts of money must be budgeted for the purchase of land for bases, practice ranges, and so on.

If we examine each of these factors in turn, it cannot be denied that although Japan's defense spending appears high, the overall amount is merely being forced up by these costs, especially the extremely high personnel costs.

At the time Japan's defense spending exceeded one percent of GNP, Kissinger expressed his fear that "it is inevitable that before long Japan will become a military superpower." It is not certain what yardstick Kissinger is using to measure "military superpowers," but that this statement is merely a wild fantasy is made very clear by the fact that even now, although more than 10 years have passed since the determination of the "fundamental principles" of Japan's defense program, the goals for preparedness still cannot be met.

Even if we admit that the amount of defense spending appears to have increased, if we look at real fighting strength we see that there is no reason to fear that Japan will become an actual threat to other countries or become a military superpower, and still more that it is not likely that Japan could be content as a military superpower.

As is well known, Japan's defense preparations are pushed forward on the basis of the fundamental principles of the defense program, and the basic view is that Japan should prepare the minimum level of defensive capability needed to cope by herself with a limited, small-scale invasion; and that Japan would cope with a larger invasion by obtaining the cooperation of the American Armed Forces in accordance with the Japan-U.S. Security Treaty. That is to say, the capacity of the SDF, without the assistance and cooperation of the American military, is sufficient to deal only with a situation no worse than a limited and small-scale invasion.

How can Japan, whose Self-Defense Forces possess only such limited capabilities, be called a military superpower? Looking at the situation from a Kissingerian point of view, the premise is that any country whose defense spending increases is preparing its fighting strength, and without a doubt is aiming to become a military superpower.

However, what must be understood here is that even if we say that large defense expenditures indicate the possibility that Japan could become a military superpower in the future, if we look at the structure of Japan's military power, simply not exceeding the limitations on preparation and the use of forces, whether or not Japan can serve as a military superpower depends on the basic national policy and on the will of the people. In other words, to become a military superpower a country must first formulate a national policy, and then in accordance with that policy must commit its financial resources to development of military power in precedence to economic and social development; and must work for that outcome over the long term.

However, even supposing that a country does have that intention, and has obtained a consensus among its citizens, it is not the kind of thing that can be achieved overnight.

In the first place, a military superpower is a country which maintains powerful land, sea, and air forces, and in recent years possesses nuclear capability as well; and can exercise its military influence throughout the world. In actuality, can we not say that the only countries which fit into that category are the United States and the USSR, and then England and France?

If we look at the problem in this way, we have to say that it is altogether fantastic to think that Japan, burdened with various restrictions such as the reality of Article 9 of the Constitution, the strictly defensive nature of the military, and the declaration that Japan would not become a military power, could be content as a military superpower, or become a military superpower.

Moreover, while the legal restrictions, including the Constitution, are real, the grave situation now confronting the issue of Japan's defense is not that of a military superpower, but something altogether different.

No Consensus Among the Japanese People

Last June, U.S. Senator Carl Levin, chairman of the Conventional Forces and Alliance Defense Subcommittee of the Senate Armed Services Committee, indicated in that subcommittee's "Inspection Report on America's Pacific Forces" that "Japan's defense budget has become number five in the world, but there are also some important shortcomings," and citing the insufficiency of Japan's ability to continue a war as one example, stated that "reserves of ammunition and spare parts are extremely limited, and meeting the goals in this area will probably take a long time." Remedying this "insufficiency in the ability to continue fighting" is the long-term task of Japan's Self-Defense Forces.

In addition there are an endless number of other problems, such as the deficiencies in the amount and quality of weapons, the treatment of members of the SDF, problems with welfare, and the decline in the ratio of sufficiency of the SDF due to difficulties in recruitment.

However, when all is said and done we can say that the biggest reason why Japan cannot serve as a military superpower is the weakness of the people's consciousness of defense. If the Japanese, who have spent the 40 years since the war in the cozy shelter of "peace," begin to carry out the strengthening of "national defense," which may compel not-insignificant sacrifices in economic and social conditions, there will have to be a determination to endure a long, hard road.

What American analyses of Japan's defense problem often overlook is this mustering of consensus among the Japanese people.

"If the sense of trust in America's commitment to Japan's security continues to decline, there is a chance that a militarily independent Japan would take some highly undesirable course of action. It is also possible that as a consensus develops with respect to Japan's defense efforts, a movement toward an independent, full-scale military buildup will appear; and the necessity for military independence is already being publicly debated in Japan."

These words are part of the overall analysis of Japan contained in the January 1979 report by the U.S. Senate Armed Service Committee on the comprehensive investigation undertaken of America's defense policies in Asia and the Pacific. (Former Senator Tower, whom I interviewed in Washington, participated in the analysis as a member of that committee.)

The portion of that analysis which says "as a consensus develops with regard to Japan's defense efforts" is a factual error, and as I read the many essays criticizing Japan which came out subsequently, and as I debated with intellectuals whenever the opportunity arose, I gradually began to doubt whether America was really afraid of Japan's "transformation into a military superpower."

The basis of their argument that "Japan will follow the road toward becoming a military superpower" is, by and large, a prediction about the near future based on Japan's current economic and technological strength, and it is not necessarily a logical position based on proper analysis. Nevertheless, is it not true that an extremely detailed analysis is being conducted, in America's government institutions and elsewhere, from the indirect angle of "today's Japan and predictions for the future?" In other words, I believe that the insight already exists that in today's Japan the "elements" for pursuing the path of a military superpower are, at the least, not visible. That is for the following reasons.

Just before the Pacific war, in the late 1930's, when U.S.-Japanese relations were at their most tense, the book "Japan" (Top Secret—U.S. Military Academy, January 1937) by Infantry Colonel H. H. Slaughter of the U.S. Army General Staff Office Intelligence Section (G-2) was used at the U.S. Military Academy as a transcript of lectures; and is said to have been an extremely valuable document for the Army of that time for interpreting Japan's national policies, and especially for understanding the character and historical background of the Japanese. When I visited the U.S. Defense Department nearly 30 years ago to study America's "Orange Plan," it happens that I was shown that book at the Army's Military History Document Center [U.S. Army Center of Military History] where it is kept as a top secret document, and I was shocked at the excessively detailed contents of the analysis.

At that time the American military, in addition to this sort of "analysis of the Japanese character," also prepared extremely detailed reports concerning Japan twice a month. These reports were prepared by Naval Intelligence, and were compiled from secret information from every possible source; for example, the U.S. Embassy in Japan and the worldwide network of spies. Thirty copies were made of each of these reports, and these copies were distributed to important cabinet members and military leaders.

Even today the U.S. Defense Department carries out this kind of research analysis, and conducts the same kind of lectures as staff education for the Military Academy and every other military institution.

Given this kind of analysis by the Americans of conditions in Japan, there should no longer be any need to dwell on the question of how to judge the likelihood of "Japan's becoming a military superpower."

The information gap between ordinary Japanese and Americans is unquestionably large. Compared to the enormous number of articles and news items concerning America which Japanese newspapers and television exert themselves to provide day after day, the news about Japan carried by America's mass media is unbelievably scarce, and so the general understanding of Japan in America is far worse than one would imagine.

The YOMIURI SHIMBUN of 22 September of last year carried a commentary entitled "Behind America's Hard-Line Toward Japan Is a Lack of Understanding," and the misunderstandings were simply absurd. For example, "In a popular American Japanese-language text, Japanese women, young and old, are shown wearing strange kimonos with 'kanzashi' ornamental hairpins, and the homes are all palm houses of the kind seen in the South Seas," and "One American traveler told a travel agent that he wanted to go from Hong Kong to Japan, and asked how long it would take by car."

That is the general understanding of Japan in America.

However, the "Japan analysis" of some of the intelligence agencies, beginning with the U.S. Defense Department, goes to extremes of detail, digging up "Japan's innermost secrets," with which even the Japanese generally are unfamiliar.

The Americans often point out that there are indications of the rise in Japan of the doctrine of defense independence, and we can probably conclude that where the defense independence doctrine logically leads is to the abrogation of the Japan-U.S. Security Treaty, and the all-out transformation of Japan into a military superpower. However, as I stated earlier, America's defense authorities have surely determined that there is no chance that present-day Japan, burdened with various restrictions, will "become a military superpower"; and so consequently I have to suspect that the tone of wariness toward Japan taken by Kissinger and others, who say that "neighboring countries are afraid" that Japan will pursue that path, is an American diplomatic policy aimed at China, the country most afraid of Japan's transformation into a military superpower.

On the other hand, supposing that the tide of neonationalism rises in Japan, and Japan does become a military superpower, America will naturally discard the Security Treaty, and adopt policies to strengthen the unity of the Western camp and drive Japan into isolation.

However, what America itself fears the most is that even if Japan does not make the "choice to become a military superpower," with the backing of its economic strength, "If Japan decides to contribute to the technological development of the Soviet Union, it will increase potential Soviet military strength."

The Meaning of the Security Treaty to the United States

Meanwhile, the reason America is stressing the ties of the Security Treaty, and why come what may the United States cannot discard Japan is in short that Japan occupies a position of geographic and strategic importance for America. Since the end of World War II, America's basic strategy in Asia and the Pacific has been transformed along with the changes in the character of the regional power relationships, and although it has been modified, America has to this day consistently maintained its hegemony over this region.

After the Vietnam War, the U.S. Defense Department, avoiding the use of land forces, has adopted an island strategy taking into account America's strategic superiority on the seas and the functional support of America's foreign military bases; that is, a strategy of forward deployment. Meanwhile, as Soviet military power in the Far East has steadily been strengthened, the strategic importance of Japan to America has drastically increased.

From the outset this forward deployment strategy has been a strategy of intercepting an invading force as far away as possible, and in that sense the existence of the U.S. Naval and Air Forces in Japan is of great value.

The most important of these island bases are the Japanese main islands, Okinawa, and the Philippines; Japan's Yokosuka is the home port for the attack carriers of the U.S. 7th Fleet, and it is common knowledge that Yokosuka's dry dock and outstanding repair facilities for naval vessels are indispensable to the U.S. Navy. Moreover, if America loses Okinawa, which has the largest supply base for the U.S. Army in Asia, and the Philippines' Subic Bay, the headquarters of the 7th Fleet, then America will be unable to maintain its dominant military position in Asia and the Pacific. Because the countries which hold these bases are closely allied to America politically, troops from those countries can be dispatched for the defense of the bases at very little political cost.

Furthermore, as the show of force by U.S. Air Force planes during the recent coup d'etat in the Philippines showed, the U.S. presence can play a decisive role in the revolutions and disputes which occur in the region by effectively suppressing insurgent forces. This also serves as a symbol of the extent of America's resolve to stay on as the dominant power in the Asia-Pacific region.

America harbors an extreme sense of wariness that the relative decline in the power of the United States will create a "vacuum" in the region, and that Japan, backed by its mighty economic strength and military power, will become a regional power. America, which still intends to remain the "number one" power in Asia, is firmly restraining Japan, which is rejecting a subsidiary role.

However, the success or failure of America's forward deployment strategy in Asia and the Pacific is dependent on the existence of the present structure of the alliance with Japan. If America loses Japan as a "base" and the cooperation of the Japanese, it will find it difficult to stay on as a power in the region. Paradoxically, if Japan becomes a "military superpower" and breaks away from America, this strategy will not work.

The Reagan administration's final annual report on national defense stated that "the Asia-Pacific region has the potential to become a battle zone in a global war involving the United States and the USSR, their allies, and other countries"; and the objective situation that we can deduce more than substantiates this statement.

For example, in a case where a dispute originating in the Middle East spreads to Europe, and the Soviet Union opens a "second front" in the Far East, aiming at the dispersion of U.S. Army forces, it was considered that this region would become a battle zone. In response to this, a simultaneous multi-attack strategy is being considered, which would involve striking at the Soviet Union's weak points with naval and air forces in the Far East and the Pacific.

However, the East-Asian and Pacific region had been seen by both the United States and the USSR as being of secondary strategic importance. This changed to a perception of the region as being of the same level of importance as the European theater only after the sudden strengthening and qualitative improvement of the Soviet Naval and Air Forces deployed in the region began to be observed.

The "Report on National Defense" points out that to say the least, East Asia and the Pacific differ from the NATO battlefields, and that "naval and air forces would be the key to a U.S.-Soviet confrontation," and the greatest "threat" (direction of emphasis) for America is the fact that Soviet nuclear-powered ballistic missile submarines (SSBN's) which target the American mainland for attack are stationed in what has already become the "sanctuary" of the Sea of Okhotsk.

In this connection, with the exception of Florida, the area from Washington to San Francisco is within range of the SSN-18 submarine-launched ballistic nuclear missiles.

The heart of the Soviet Union's military strategy toward the United States is these nuclear submarines in the Sea of Okhotsk, and to protect this sanctuary, the Soviets are making the area from the Aleutians to Kamchatka and the Kuriles into a strategic line of defense.

Therefore for the Americans, the tactic of blockading Japan's three straits in order to launch a preemptive strike on the entire Okhotsk region is of unmeasurable strategic value.

Here too lies the basis of the argument of some neonationalists that "Japan is by no means getting a free ride on the Security Treaty." At some point I would like to discuss that idea.

Meanwhile, the concern of Soviet military doctrine has turned from "attack ability" to "defensibility"; that is, a switch in thinking on defense is being planned to an idea of "strategic sufficiency" in which the minimum necessary and rational level of Soviet military power for the defense of the USSR is considered sufficient, but even now Gorbachev, to say the least, is showing no signs of preparing to introduce this new thinking into the Far East and Asia/Pacific region. In other words, there is no sign of a trend away from strengthening and toward reduction of naval forces in the region.

Even at the recent Malta summit no reference was made to reductions in Soviet Naval Forces in Asia and the Pacific, and although reductions in the strength of Soviet land and air forces have been very widely known, it must be noted that cuts in naval power have not once been mentioned.

Precisely because this is the present state of affairs, for America to execute its forward deployment strategy, under the Japan-U.S. Security Treaty, it is enough for Japan to accord with this strategic sufficiency; and America must guard as much as possible against Japan's pursuing a path of independent defense, namely "separating from America." Judging by America's extremely exhaustive intelligence analysis of Japan, Japan's "transformation into a military superpower" feared by Kissinger and others is not illogical, but should be seen as a check on that transformation.

Farmers Urged To Raise Productivity, Lower Costs

OW1204084490 Tokyo ASAHI EVENING NEWS in English 10 Apr 90 p 3—FOR OFFICIAL USE ONLY

[Text] The agriculture white paper for 1989, which was submitted to the cabinet Tuesday morning by Agriculture, Forestry and Fisheries Minister Tomio Yamamoto, says that Japanese farmers must lower production costs for those agricultural products that compete with imports and meet market needs.

The subtitle of the white paper which was accepted by the cabinet, is, "Development of Market-Conforming Agriculture and Activation of Farming Villages."

It points out that there is overproduction of rice, milk and eggs amid the diversification and sophistication of livelihoods due to the increase in national income. It also notes that there has been a drastic increase in imports of low-priced agricultural products used to make processed food in Japan.

The white paper points out that agriculture in Japan concentrates on production of direct-consumption products and is meeting the needs of consumers and the processed food industry from the standpoint of price, quality and product choice.

Government White Paper Backs Rice Import Ban

OW1304045490 Tokyo THE DAILY YOMIURI in English 11 Apr 90 p 1—FOR OFFICIAL USE ONLY

[Text] Japan should continue to keep its rice market closed to imports in the interests of food security, despite international pressure, according to the 1990 agriculture white paper, released Tuesday by Agriculture, Forestry and Fisheries Minister Tomio Yamamoto.

"Basic foods must be based on domestic supplies," the ministry said in the paper. The report echoed the government stand taken at the multilateral Uruguay Round of the General Agreement on Tariffs and Trade, that "domestic production standards should be maintained in the interest of food security."

The paper recommended that price flexibility be introduced into independent rice distribution. Rice farmers can cut production costs by sharing mechanization and cultivation of their small plots, the paper says.

The paper also noted a rapid expansion in processed food and restaurant-use food products, which it attributed to the rising number of women in the work force.

Imported agricultural products tend to concentrate on the processed food and restaurant markets, the paper noted. Domestic agricultural products continue to center on the consumer mainstays of rice, meat and vegetables, but are lagging behind the diversifying and upscaling consumer market.

So the paper recommended improved agricultural productivity, the development of more consumer-oriented products and better marketing methods as a means of creating a market-responsive agricultural industry.

The paper analyzed changes in food supply and demand, noting that while food choice is becoming more diversified, actual food consumption volumes have reached saturation point and are leveling off. The paper also found that the consumption of processed and restaurant food is rising. Consumption of raw or unprocessed foods accounted for 25 percent of total consumption, while processed foods accounted for 48 percent, and restaurant food for 27 percent.

In addition, while 81 percent of imported agricultural products end up as either processed or restaurant foods, 62 percent of domestic agricultural production was consumed directly, showing that domestic agriculture has been slow to respond to the fastest growing areas of consumption.

The document concluded that domestic agriculture has been slow to respond to consumer needs in price, quality and product range, and should make more of an effort in the terms of processed and restaurant food supply.

To do this, agriculture, food processing industry and consumer representatives should meet, exchange information and tilt production toward what consumers want, the paper said.

The white paper noted that import restrictions on beef will be completely lifted in fiscal 1991, which will result in increased imports and falling prices. Domestic beef prices, by contrast, have been rising, making it necessary for domestic producers to boost productivity on all aspects of beef production.

The ministry noted that rural districts are facing a crisis, with fewer young people available to take over from aging farmers. The white paper recommended that this opportunity be used to amalgamate small farming plots into larger ones for easier mechanization, and that underused farming areas be converted back into their natural state for the promotion of tourism.

Kaifu Cabinet Facing Problems at Home, Abroad

OW1004055490 Tokyo ASAHI SHIMBUN in Japanese 5 Apr 90 Morning Edition p 9—FOR OFFICIAL USE ONLY

[By reporter Jintoku]

[Text] Washington, 4 Apr— It seems most likely that the interim report on the Japan-U.S. Structural Impediments Initiative [SII] talks will be worked out following the marathon negotiations on the second day of the discussions. Japan has somehow overcome difficulties at the talks through the "utmost possible political resolution" (according to a source close to the prime minister). However, the Kaifu administration is now faced with greater difficulties, including readjusting views within the party and dealing with opposition parties. In working out the final report scheduled for July, the U.S. side will inevitably demand further political resolutions. In this connection, Japan will be forced into difficulties in working out countermeasures. "Japan has already used its cards," (according to a Japanese delegation source). Since the United States will keep a sharp watch on how Japan is going to implement commitments stated in the interim report, Japan-U.S. relations will probably continue tense.

A member of the Japanese delegation stated: "When we think we have reached the goal, another comes up." The U.S. side has forced Japan to include concrete results in its interim report, and now they have begun to say that "it will be necessary to coordinate policy in several fields before the final report is complete," (according to a U.S. high-ranking official). In several fields, such as the Keiretsu enterprises [affiliated companies], no thorough discussions were held at the current talks. It seems that the U.S. side has adopted a strategy of attaining "fruition" in the final report, scheduled to be completed immediately before the summit talks of major advanced nations [G-7].

Furthermore, the United States has suggested that a monitoring system should be established for verifying results, even after the completion of the final report.

Meanwhile, in preparing the interim report, the Japanese side is already "in a state of exhaustion," (according to a Japanese delegation source). The settlement of the public investment issue has been postponed until the final report. However, since it is stated in the interim report that expenditures for the five-year projects in eight categories of public works will be increased, they have virtually seen through our situation. Therefore, this issue is unlikely to become a "trump card" in the negotiations.

The interim report was focussed on the issue of revising the Large Scale Retail Stores Law [LSRSL] and the Antimonopoly Act. However, the decision on this issue was made before sufficient preliminary deliberations were held within the Liberal Democratic Party [LDP].

An attempt at revising the LSRSL will put the "LDP politics" in a dangerous position, because the major support for the LDP comes from medium- and small-scale retail businessmen. Business circles supporting the LDP are seriously concerned with the possible increase in surcharges to strengthen the enforcement of the Antimonopoly Act. Considering the fact that the opposition holds the majority, while the ruling party is the minority in the House of Councillors, it should be noted that the revision of these laws cannot be easily completed. This may cause greater distrust on the part of the U.S. side.

There are also concerns about Prime Minister Kaifu's leadership, because he originally comes from a minor faction. He has been acting as the leader of an army through telephone conversations with President Bush and by dispatching former Ambassador to the United States Matsunaga as special envoy. On the other hand, he has not only forced Toshio Yamaguchi, chairman of the LDP Special Committee on Studying Economic Readjustment, to give up his plan to visit the United States, but has also rejected the idea of dispatching former Foreign Minister Abe as the government's special envoy. All these actions must have caused disharmony within the party, and may cause troubles in the future. The Kaifu administration has difficulties in store both at home and abroad.

* LDP's Yohei Kono Gaining Influence

WA10040620 Tokyo SHUKAN JIJI in Japanese 24 Mar 90 pp 34-35—FOR OFFICIAL USE ONLY

[Article by Ichiro Nagata in the "Inside the Political World" feature: "Yohei Kono Rapidly Gaining Influence Within Liberal Democratic Party (LDP)"]

[Text] Yohei Kono, who belongs to the Miyazawa faction (Kochikai) of the LDP, has "silently surfaced" recently. Kono has gained influence within his faction by supporting its candidates during the general election. There is even a faint suggestion that an outbreak of an "Ichi-Hei war" between Kono and Koichi Kato—the prince of the Miyazawa faction—will occur.

During the recent general election, Kono participated in nationwide election campaigns to support young members of the Miyazawa faction. Because of his fame, oratorial skills, and his clean image, he was among the five most sought-after LDP politicians to help in the election campaign.

In the past, Kono left the LDP to form the New Liberal Club, but later rejoined the LDP. This experience unavoidably resulted in his trailing behind the other neo-new leaders.

However, he has firm supporters within the LDP. Kono's name surfaced when Uno resigned to take responsibility for the Diet Upper House election defeat. Kono was recommended by some LDP members to succeed Uno. But Kono declined emphatically. The Miyazawa faction eventually supported Yoshiro Hayashi of the Nikaido group as its candidate to succeed Uno.

General Election Purified His Act of "Seceding from the Party"

Kono was well aware of the "Kono allergy" [anti-Kono feelings] within the LDP, but maintained a prudent attitude: "Since I rejoined the party, I must go through an election to regain ground."

But the Recruit scandal, which confined the activities of new leaders such as Abe, Miyazawa and Watanabe, as well as neo-new leaders such as Yoshiro Mori and Koichi Kato, resulted in spotlighting Kono once again.

Because Miyazawa was not able to do much during the election campaign, Kono travelled extensively like a faction leader.

After the general election, more than 10 young Dietmen held a party especially to thank Kono for his campaign efforts.

The election results, in Kono's case, can be considered a "purifying event" for seceding from the party and his noninvolvement in the Recruit scandal.

One person who actively supports Kono is none other than Kaifu. Kaifu and Kono are both Waseda men, and were both active in the education field. Because Kaifu belongs to the small Komoto faction, which has few "dependable men," Kono is a "reliable alumnus," according sources close to the prime minister.

When Kaifu attended a long-distance relay event held in Hakone this January, it was Kono who arranged Kaifu's appearance.

According to sources close to the prime minister, because the Komoto faction, to which Kaifu belongs, could not even name a chief cabinet secretary for Kaifu, he wanted to "appoint whoever is capable and reliable" as his chief cabinet secretary, and it seemed he had Kono in mind.

When appointing his second cabinet, Kaifu hoped to include Kono, but without success. Kaifu's aides are still disappointed: "The prime minister was thinking about appointing Kono as the chief cabinet secretary. If he succeeded, it would have been a special attraction."

Tsutomu Hata, a neo-new leader belonging to the Takeshita faction, was also nominated as a candidate for the chief cabinet secretary position. Kaifu seems to have aimed at including a neo-new leader in his cabinet to strengthen his administration. A Takeshita faction core member commented that "Kaifu may have learned from the way Nakasone maneuvered the new leaders to support his own small and powerless faction."

Nakasone, by assigning the top three LDP posts as well as key cabinet posts to new leaders such as Takeshita, Abe and Miyazawa, managed his administration by encouraging the three to compete with each other. It was as though he was driving a three-horse carriage.

Kaifu, no doubt, is trying to follow Nakasone's tactics. Perhaps Kaifu wanted to set up a "lineup of neo-new leaders," including Secretary General Ozawa, Finance Minister Hashimoto, Hata, and Kono.

Regarding Kono's cabinet appointment, the Komoto faction objected in unison. First Kaifu rejected Koichi Kato, who was recommended by the Miyazawa faction as the Policy Affairs Research Council chairman, and appointed Takeo Nishioka in the fashion of "pole-and-line fishing." [as published] Faction members who were hoping to be included in the new cabinet objected: "Why should outsiders like Nishioka or Kono get preferential treatment?"

Meanwhile, the group which supported Kato also objected to Kono's appointment. An unusual atmosphere of family strife developed within Kochikai, a group consisting of gentlemen known as "court nobles."

Kono Certain To Win Key Cabinet Post in Next Cabinet Reshuffle?

Kono was not included in the cabinet because of factional problems. Miyazawa went into the details later: "The Prime Minister's Office requested that Mr. Kono be a cabinet minister. Our faction members are indebted to Mr. Kono for his election campaign efforts. But he conveyed his hesitation at that time, so I suggested that he wait for the next opportunity. I feel we should all support him in obtaining a cabinet post next time. I am confident that no one in our faction will object to that."

It seems certain that Kono gained influence by declining the cabinet post. Kaifu then appointed Kono as LDP International Relations Research Commission [gaiko chosa] chairman. This important post deals with urgent problems involving Japan-U.S.economic friction. It is evident that Kaifu wants to team Kono with LDP Executive Council Chairman Nishioka to promote and coordinate party affairs.

For Kono, this is his first significant task since rejoining the LDP. If he does well in this job, it is possible he will indeed be appointed a key cabinet minister in the next cabinet reshuffle.

If the Kaifu administration survives, Miyazawa will lose his opportunity for political power. Naturally, post-Miyazawa speculation will arise. Kato, who is regarded as Miyazawa's successor, is only 50 years old. He has held only one cabinet post as director of the Defense Agency. It is possible that 53- year-old Kono will overtake Kato.

A young Miyazawa faction member said: "Although Mr Kato will eventually lead our faction, perhaps most of us will want Mr. Kono to succeed Mr. Miyazawa for the time being."

Kono, slow to start as a neo-new leader, may have finally returned to the political frontline.

* Influence of LDP Zoku Diet Members Examined

902A0107A Tokyo SEIKAI SHUNJU in Japanese Mar 90 pp 42-47—FOR OFFICIAL USE ONLY

[Article by political commentator Tokio Yamaguchi]

[Text] **Huge Sums Received From Auto and Electrical Industries Difficult To Prove**

LDP [Liberal Democratic Party] Secretary General Ozawa fully demonstrated his superb fund-raising skill during the recent general elections, and has become a central topic of conversation in political circles. He reportedly collected Y6 million in "special donations" for the elections outside the framework of regular political donations.

The auto and electrical macninery/electronics industries were particular targets of Secretary General Ozawa. He requested Y5 billion each from the two industries, totally Y10 billion.

The reason for deliberately sighting the two industries was that, due to the introduction of the "consumption tax," the commodity tax levied on autos and home electrical appliances was abolished, resulting in a big boon to the industries.

Secretary General Ozawa reportedly stated that "profits for Toyoto Motor amount to Y6 trillion, so one percent of that is Y6 billion." Therefore, he appears to have been considering large donations by the auto and electrical machinery circles from the outset.

Of course, the current political funds control act stipulates that the maximum annual donation by a corporation to a political party is Y100 million.

Annual donations that can be collected by financial circles under the control act are said to be about Y12 billion, and attention is focused on how the special donations will be interpreted.

There are some in the financial circles who say skeptically: "The recent special donations are clearly a violation of the control act, and may develop into a corruption issue."

The Recruit affair is being investigated by the Tokyo District Court (the politicians' role is postponed during the elections). Aside from the question of whether the politicians are guilty or not, it cannot be denied that this type of incident has drawn close attention to the advantageous position of politicians in general.

The reason for this is that, in the case of politicians, the power of the duties of office—the central issue in the acceptance of graft—is nebulous, and it is extremely difficult to verify the cause and effect of an exchange of money.

Although the reason is stipulated under "bribery crimes" in criminal law, the stipulation dates back to 1907, and is not in keeping with today's realities.

Priority of Party Politics: LDP Must Enact Legislation; Gap Between Political Parties and Practice of Criminal Law

In effect, today's politicians are not only Diet members, but also members of political parties, and they are not considered guilty of a crime by accepting money as party members.

Some opposition party members were recently indicted in corruption cases involving the thread-plying workers unions and sand-dredge barges. They were indicted because, as Diet members, their actions were related to their Diet activities.

However, from the standpoint of the actual political circumstances, party politics is given priority under Japan's parliamentary cabinet system. The budget bill and other resolutions submitted by the government are actually not brought before the Diet, unless they are decided or acknowledged by the LDP prior to government decision.

Also, under the current legal system, the political party itself is called "a corporation without corporate status," and is legally equivalent to a kind of "friendship club" like the PTA and neighborhood associations.

The late Attorney General Shigeki Ito stated in his memoirs: "When an LDP Diet member receives or gives money in kickbacks related to his political party activities in drafting and deciding policies, he is not subject to stipulations concerning bribery crimes." He also pointed out: "In the 40th year of Meiji [1907] criminal law did not foresee the evolution and establishment of present-day party politics." It goes without saying that the criminal law stipulating present party politics and bribery crimes is greatly detached from present realities.

Amid such an ambiguous stipulation concerning the political parties, the LDP "zoku" [a group of Diet members who exercise in a particular field policymaking expertise and contacts generally acquired through service as chairman or vice chairman of the appropriate party policy deliberation committee] Diet members are freely flexing their political power.

Kajiyama Wields Influence as a "Zoku" Diet Member

There is no clearcut standard to qualify as a zoku Diet member. Generally speaking, however, in order to be considered as a member of the zoku, one must have served in a number of related posts such as minister (head of a government ministry), chairman of a Diet standing committee, chairman of the LDP policy research council or administrative vice minister.

The top three zoku Diet member groups are: the construction, posts/telecommunications and commerce/industry zoku.

Shin Kanemaru, called the "don" of both construction and posts/telecommunications, wields great influence. Although Kanemaru has no experience as chairman of the party's contruction section committee, he was a mamber of this committee for many years. He also served as chairman of the lower house construction committee and minister of construction, and is literally an expert in construction administrative affairs.

In the field of posts/telecommunications, he acquired his status as a zoku Diet member by virture of his chairing of the party's telecommunications sectional committee, and has been chairman for many years of the posts/telecommunications business discussion society that forms the core of the posts/telecommunications zoku.

Among the commerce/industry zoku, Seiroku Kajiyama has swiftly climbed to power. Kajiyama has served as chairman of the party's commerce/industry section committee, and as MITI [Ministry of International Trade and Industry] administrative vice minister. He was also appointed for a short period as minister of MITI in the Uno cabinet. In other words, he has had experience in every post required to qualify as a zoku Diet member.

In October of last year, Kajiyama was chosen to replace Sadanori Yamanaka as chairman of the party's tax system research council. It did not materialize because Kajiyama declined. As a backdrop to this circumstance, Kanemaru and Takeshita have widely differing opinions concerning the "reappraisal of the consumption tax," but Kajiyama wanted to avoid "pulling the chestnuts out of the fire."

In any case, the reason Kajiyama was nominated for the chair of the tax system research council was because of his reputation as a man with powerful influence in the industrial circles as a commerce/industry zoku member.

Government Agencies Closely Linked to Zoku Diet Members; Industry Cannot Refuse Purchase of Party Coupons

The zoku Diet members hold the power of "life or death" concerning LDP policy decisions and during the resolution-drafting stage.

Consequently, the government agencies constantly maintain close relations with the zoku Diet members. If the zoku Diet members stand in opposition to a bill, the "possible becomes impossible."

Seen from another side, it is not an overstatement to say that the LDP is supported by the zoku Diet members.

Therefore, whenever a government agency wishes to draft a new policy, it must give first priority to the inclination and will of the zoku Diet members.

Ever since the Recruit affair, the politicans have been subjected to public criticism, and their fund-raising "parties" have been declining recently. It was the government agencies that played an important role in the distribution of the party coupons. The agencies had a system whereby it administratively suggested to the related business circles to purchase a certain number of coupons whenever there was a request from the zoku Diet members.

However, due to the Recruit affair, the government agencies can no longer become involved, in principle, in the sale of party coupons. As a result, it has become difficult to hold such parties.

In fact, one source related to zoku Diet members complains: "Unless the agencies act, these parties are no longer possible."

On the industry side, regardless of the industrial sector, they are linked to the bureaucrats in one form or another, and are therefore not in a position to refuse party coupons distributed through the government channels.

It can also be said that the zoku Diet members/government agencies/industries circles triangle sustains LDP politics.

Complex Policies Tend To Subdivide Zoku Diet Members; Recruit Affair Criticism Deters Reform

Of course, there has recently been a generational change among the zoku Diet members. Middle-cadre Diet members are coming to the fore, and this has resulted in friction among the zoku Diet members.

At the same time, a subdivision among zoku Diet members is beginning to take place. The increasingly complex and specialized policies may be said to accelerate the trend.

In the case of the construction zoku, there are "boss Diet members" who head such diverse areas as public works projects, roads, bridges, sewer systems and fire prevention.

In the case of the agriculture and forestry zoku, the areas are divided into rice, fruits, animal husbandry, forestry and marine products. Each zoku group is naturally involved in the party's policy decisions, but also involves itself in the policies of the Ministry of Agriculture, Forestry and Fisheries.

Also, the finance zoku is divided into the areas of finance, securities and the tax system, and sometimes fierce clashes of interest occur among the finance 'zoku.'

In the case of the commerce/industry zoku the separate areas are: electrical machinery, electronics, textiles, steel and general trading companies. In particular, the high technology area is the most popular, in keeping with the demand of the times.

Of course, because of criticism of collusion between the zoku Diet members and the industry, stemming from the Recruit affair, the LDP is taking steps to decrease the number of zoku Diet members, such as limiting the chairman's term in the Policy Research Council.

However, subsequent developments indicate that such a reform concept has no promise of materializing.

Zoku Diet Members Indispensable for Policy Decisions; Sectional Committee Employees Incapable of Policy Decisions

As was mentioned before, there is a problem concerning collusion between the government agencies and the industries. Meanwhile, the zoku Diet members are experts knowledgeable in matters concerning their policies and issues.

Consequently, the absence of zoku Diet members will mean the nonavailability of policy experts.

If such a situation should come to pass—that is, aside from the question of good or bad, the policy decision ability of the LDP itself will decline appreciably. In the worst case, policies could be decided at the will of the various government agencies.

To do away with zoku Diet members would be tantamount to the LDP losing its power to rule.

In effect, the LDP executive staff has apparently relinquished the idea of doing away with zoku Diet members. Or rather, it was actually forced to give up the idea.

As was mentioned before, regarding the qualifications of the zoku Diet members, they were not cultivated overnight. It takes many years for them to become experts in their respective fields, and their cumulative knowledge is the most important of all.

The picture of collusion with government agencies, the close attachment to the industrial circles and the vested rights and interests must be criticized. However, the loss of political expertise could shake the very roots of the LDP. Of course, there are employees assigned to the various sectional committees of the LDP Policy Research Council, who form a system to assist the policy activities of the Diet members. However, they lack the authority for policy decisions and are largely assigned to such duties as liaison and data-gathering.

In that respect, the weight of the secretariat is much stronger in the case of the opposition parties. For example, it was the policy deliberation secretariats of the various parties that substantively drafted the comsumption tax abolition bill.

The reason is that the LDP is the party in power, and the various government agencies have a de facto role as policymaking organs.

Opposition Zoku Do Not Intercede Very Much; Opposition Zoku Could Be Guilty of Crime; LDP Zoku Are Not

Zoku Diet members do exist in the opposition parties also. However, they do not normally intercede very much into the related industries as do the LDP zoku. *Nonetheless, as far as their relationship with the government agencies is concerned, they have close relations.* The opposition zoku are composed generally of those who have served for many years as "directors" of Diet standing committees. Also, by the nature of their positions, there are many who have relations with LDP zoku Diet members. Therefore, bills submitted to the Diet are discussed among zoku Diet members of both the party in power and the opposition, apart from open deliberation, and revisions and conditions for conclusion are settled.

Consequently, as the thread-plying workers union case and the sand dredger corruption case revealed, opposition zoku Diet members were involved in policies and resolutions in Diet activities. If any money changes hands between the related industrial circles concerning those activities, the possiblity of the crime of bribery arises.

On the other hand, LDP zoku Diet members are required to reflect on their inclinations at the party's policy decision stage and, even though monetary gifts are received from industrial circles during this period, it does not necessarily constitute a crime. Moreover, LDP zoku Diet members actually have several times as much influence as the opposition zoku, and also achieve more effective results. They can easily guide industrial circles toward profitable circumstances.

However, this arrangement has been a source of energy for the LDP in a certain sense. It can be described as an "advantage" of the party in power. In the meantime, the existence of the zoku Diet members has been a thorn in Japan-U.S. Structural Impediment Initiative [SII] talks.

Handling of "Double-Edged Sword" Urgent LDP Task; Party's Control of Funds Slows Factional Action

Japan-U.S relations are expected to face a major turning point after the general elections in February. Especially in the United States, the mid-term elections will be held this year, and stepped up pressures by the U.S. Congress will be inevitable.

Zoku Diet members in one respect represent the interests of the industrial circles. Depending on its progress, the Japan-U.S. SII talks could result in opposing the interests of the zoku Diet members. The LDP will inevitably be compelled to give priority to coordination with the zoku Diet members, rather than with the United States.

For the LDP, the existence of the zoku Diet members may be compared to a "doubled-edged sword," and how to handle the zoku is its urgent task.

The LDP could be called "a coalition party of factions," and it may be said that it is, first of all, the zoku that supports the factions.

Secretary General Ozawa's inclination is said to be for the party to concentrate election funds in its hands, and to distribute them to the factions and candidates for office. Certainly, this is an undeniably ideal situation.

However, if the party has total control of the funds, factional activities will be conspicuously reduced, because the framework of the factions could be tightened through the use of the funds.

In the present LDP circumstances, it is easier said than done for the party to conduct elections. Make no mistake about it—it does face numerous problems.

Political Party Law Needed to Correct Internal Contradictions; Electoral System Problem Depends on Party Reform

The LDP suffers from internal contradictions in many ways. The reason may be said to be that it lacks the makeup of a modern political party. Perhaps the only way to overcome these problems is by enacting a "political party law."

Former Attorney General Miho Yasuhara proposes "the designation of members of political parties as quasi-public employees," based on the lessons learned from corruption incidents.

The European nations have political party laws, and the political parties receive national subsidies. However, there are no stipulations to prevent corruption.

In Japan, the enactment of a political party law has been proposed for a long time. It has been debated more often as a problem concerning election funds, rather than as an aspect of corruption prevention. Nonetheless, election funds and corruption are by no means unrelated.

Of course, under a political party law, there is a close relationship with "freedom of association," and a simultaneous relationship with such electoral system problems as the introduction of small electoral districts.

The Electoral System Council is studying the introduction of a small electoral district/proportional representation system. However, may twists and turns will probably be experienced before it can materialize.

Will political reform of the LDP itself be implemented before that? It is not an overstatement to say that the LDP's future depends, in a sense, on whether reform can be implemented.

Daily Notes Kaifu's Improving Position in LDP

OW1004121190 Tokyo THE DAILY YOMIURI in English 9 Apr 90 p 1—FOR OFFICIAL USE ONLY

["Political Pulse" column article by Raisuke Honda, YOMIURI SHIMBUN political editor: "Kaifu Flying High After SII Accord"]

[Text] Considered by many a political lightweight and a lame duck from the moment he took office, Prime Minister Toshiki Kaifu is now flying high after Japan and the United States reached agreement on a Structural Impediments Initiative [SII] interim report Friday. The successful result of these crucial trade negotiations may finally put to rest persistent attacks on the prime minister's leadership abilities and allow Kaifu a bit of breathing space.

While the Cabinet and the Japanese consumer are obvious beneficiaries of Kaifu's efforts, one older, Liberal Democratic Party [LDP] "heavy-weight," Shintaro Abe, is surely less than pleased. Abe, a former LDP secretary general, and his faction are becoming impatient for their chance at the top spot in the government. While waiting for the Kaifu government to shoot itself in the foot, they are gradually watching their chance slip away.

In last week's column, I mentioned that many LDP politicians with ties to special interest groups were obstructing government efforts to initiate a review of the Large-Scale Retail Stores Law. The law, which restricts opening of new supermarkets and department stores, was assailed as a major trade barrier by the United States in the SII talks.

But despite the roadblocks, Kaifu did his best to solve the problem and reach an agreement with the United States. Understanding the domestic political constraints Kaifu must work within, the U.S. negotiators, while not getting all they wanted, accepted Kaifu's deal. And it was no easy thing for the prime minister. According to his secretaries, his personal intervention by telephone in Tokyo with recalcitrant ministry and agency officials and LDP leaders made the critical difference in presenting an acceptable SII package.

Despite the victory, Chief Cabinet Secretary Misoji Sakamoto remains cautious. He says that the prime minister and his Cabinet have overcome just one of many challenges and must now start preparing for the next.

A less restrained evaluation comes from Kaifu's faction leader Toshio Komoto. Saying he had previously worried about how the prime minister would handle trade problems, Komoto now oozes praise. Kaifu has proved himself an excellent leader, Komoto says, citing opinion polls showing an unexpected increase in the popularity of the Cabinet and the LDP.

Additionally, Kaifu is an "outstanding doctor" who not only saved a dying patient (the LDP government) but also helped it regain the strength of a "marathon runner," Komoto said.

On the other hand, Abe must be bitter and resentful. Before Friday's agreements, members of Abe's faction had said the SII negotiations were "too heavy" for Kaifu. Abe boosters had said, clearly hoping for just such a result, that if the SII negotiations broke down or became a protracted messy affair, Kaifu's popularity would slip and their boss could step in.

Abe had a little scheme of his own. Sources said he wanted to be appointed a special government envoy to the United States when the SII talks reached their final phase. In this way, he saw himself reaping the credit for efforts not his own. Kaifu's however, sent Nobuo Matsunaga, a former Japanese ambassador to the United States instead.

Having weathered the SII storm, Kaifu now seems much more confident in his ability to beat his challengers and at least finish his term, which runs until the fall of 1991, the sources predicted. The next test for Kaifu will be an upcoming special Diet session highlighted by debate on the consumption tax issue.

If Kaifu thinks he can keep the LDP in line on this controversiual issue while at the same time defending the unpopular tax from attacks by the opposition, he better not plan on a long stay in the prime minister's residence.

* Interview Held With LDP's Shin Kanemaru

WA3003085090 Tokyo TOKYO SHIMBUN in Japanese 9, 10 Mar 90—FOR OFFICIAL USE ONLY

[9 Mar 90 p 1, 2]

[First installment of a two-part interview conducted on 8 March with former Deputy Prime Minister Shin Kanemaru by TOKYO SHIMBUN reporters Yasutake Sakamuki and Kengo Suganuma—place not given]

[Text] Japan's politics of the 1990's started under a "new system of the Liberal Democratic Party (LDP) and the Japan Socialist Party (JSP)" and a "distorted" phenomenon in both Diet houses. There are domestic and international problems involving the unresolved consumption tax and Japan-U.S. economic friction. TOKYO SHIMBUN has planned a series of interviews with influential leaders of various circles to question "what should be done in politics?" The series began with an interview on 8 March with former Deputy Prime Minister Shin Kanemaru, who is chairman of the largest LDP faction (Keiseikai) and is the "opinion leader" of the Kaifu administration. Mr. Kanemaru indicated total party support for Prime Minister Kaifu on the pressing issue of the Japan-U.S. Structural Impediments Initiative (SII) talks. He proposed measures such as expanding fearless public investment and amending the Anti-Monopoly Law. Regarding the consumption tax, he expressed his willingness to pay attention to the Diet's possible choice of "freezing" the tax.

[TOKYO SHIMBUN] What is your view on "public opinion" which helped the LDP secure a majority in the election?"

Kanemaru: I think the election results reflect repetitious physical phenomena, like waves crashing and then rolling back. Just because the LDP gained a majority, it is wrong to think that we won the election. It actually means that people gave the ruling and opposition parties an opportunity to talk to each other. The opposition parties did not really win last year's upper house election either. We need to be humble and accept this as an opportunity to reflect on the way politics should have been, and then determine what to do in the Diet session. The Budget Committee has a great task of deliberating the revised budget and the main budget.

[TOKYO SHIMBUN] The opposition parties have divided into the Socialist Party and the forces of moderation. Right?

Kanemaru: During the election campaign, the consumption tax issue was emphasized far more than the Recruit and other scandals. In connection with the consumption tax, the JSP's Ms. Takako Doi became a heroine of the people, symbolizing women's power. The reason why Komeito and the Democratic Socialist Party [DSP] declined was because although they took the same actions as the JSP on the consumption tax, they did not always have the same conviction, which made their actions appear irrelevant. I think that was why they lost.

[TOKYO SHIMBUN] Are you confident that the consumption tax issue will be settled during this Diet session?

Kanemaru: We have to, if we think of our country and the people. Besides, there is the problem of Japan-U.S. SII talks. This problem is far more crucial than the consumption tax problem. It could jolt Japan's economy. Concerning Japan-U.S. relations, I think Japan owes the United States its existence and not the other way around. How can Japan exist today and tomorrow without the United States? If we remain unresponsive in this crucial moment, we will lose out as a nation. Stock prices and the yen will fall. It is reasonable for President Bush to worry over the problems existing between our countries with off-year elections approaching. We need to respond to his call. If Dietmen do not understand this, they are not qualified as politicians.

[TOKYO SHIMBUN] I suppose it is difficult to coordinate domestic opinions on the SSI issue.

Kanemaru: Certainly it is difficult, but we need to take decisive steps. The matter has been put off for too long. I have heard nothing but negative news concerning Japan-U.S. relations. And yet, ministries are going off in all directions. The lack of a mechanism that can exert pressure over all the ministries resulted in a delay in talks with the United States. We need a person who will exert pressure on ministries such as the Foreign, International Trade and Industry, and Finance Ministries, all of which have their own spokesmen who speak what they please. Prime Minister Kaifu will not be able to achieve anything by asking persons concerned to do their best. He has to risk his political career and tackle the problem.

[TOKYO SHIMBUN] There is the mood within the party to challenge the prime minister, isn't there?

Kanemaru: If the prime minister is determined to lead, we have to put aside factional problems. We have but to cooperate and unite as one. The newspapers have reported remarks by some LDP members, such as "let's see how well the prime minister can handle the situation." But we are not allowed any time for that. It is ridiculous to pull each other's leg and speculate who the next prime minister will be.

[TOKYO SHIMBUN] Do you have any definite remedial plans?

Kanemaru: Japanese Government offices are tricky in putting off solutions. They should go ahead and amend the Anti-Monopoly Law and expand public investment. There is no need to throw a damper on measures like these. They claim that they have to consider industry, but industry has to make some sacrifices sometimes. We have to proceed with things that need to be done.

[TOKYO SHIMBUN] Isn't it important to have friendly exchanges between Japanese dietmen and American congressmen to help resolve the SII problem?

Kanemaru: I talked with Robert McFarlane, former assistant to the president for national security affairs, yesterday. A plan is underway for about 10 members from the U.S. Congress, including former President Ford, to meet with Japanese dietmen in Hawaii in May or June. We should encourage these types of meetings.

[TOKYO SHIMBUN] Regarding the consumption tax, groups upholding abolition of the tax and groups upholding revision of the tax will eventually collide. What is your view?

Kanemaru: One group won with "abolition" in the upper house, and now the other group has won with "revision" in the lower house. We should regard these as similar results and look for common grounds for a solution. Some suggest naming it the welfare tax, but we do not have to worry over what the tax is named. I think the important thing is to decide how to ask the people to pay for the budget, which continues to increases each year.

[TOKYO SHIMBUN] Will the government agree to further revise the consumption tax?

Kanemaru: (looking stern) At this stage, it is not for the Finance Ministry or the Prime Minister's Office to agree or disagree. The budget is introduced in the Diet, and the dietmen have the right to deliberate, amend, or revise. The consumption tax bill was railroaded through the lower house once. The opposition parties' attitude of not deliberating was incoherent, but the Finance Ministry was wrong in thinking that forcing a vote would solve the problem. After the upper house election defeat, I scolded someone in the Finance Ministry: "How did we get into such a mess?" He said: "We did not expect this to happen."

Naturally, the Finance Ministry and the Prime Minister's Office would like to stick to their revised tax bill. They cannot propose to freeze it or to abolish it at this point. But the Diet should seriously draw on its resources to solve the problem.

[TOKYO SHIMBUN] But it is difficult for the ruling party to bridge differences with the opposition parties, right?

Kanemaru: This reversed power situation in the upper house will continue for six or nine years, or maybe 12 years. If the ruling party and the opposition parties go on playing a tug of war throughout the entire period, it will hurt the people. Since political parties and politicians exist to serve the people, they should pool their resources to arrive at measures, such as forming a coalition government [rentatsu seiken] or conducting political reshuffling. The LDP, as well as the opposition parties which have different ideas and opinions, should think what is better for the people.

[10 Mar 90 p 2]

[Second and Last Installment]

[Text] [TOKYO SHIMBUN] Even after the LDP won a majority in the election, you still preach a national unity cabinet with the opposition parties. What is your real intention?

Kanemaru: Someone asked me if I was considering a "back-up political system," but this is not so. I think we should consider joining efforts to protect our nation and people. The JSP, Komeito, and other parties differ in names as well as what they believe in. But they can agree on certain things. Within the JSP, left-wing members think differently than we do, but the right-wing members talk exactly the way I do. Just because they belong to different parties, they are not entirely against the LDP.

[TOKYO SHIMBUN] How will you talk to the opposition parties?

Kanemaru: First of all, we need to have a dialogue with the Socialists—the largest opposition party. It is not right to consider a coalition with Komeito or the DSP. We need to openly talk with the Socialists. Only if this fails should we look for other steps. I do not think that we can make any progress in the Diet session by "discriminating against the JSP." The JSP is definitely our strongest opposition, and we need to work with them.

[TOKYO SHIMBUN] It is fine to have a national unity cabinet, but don't we need a system to accommodate a change of power?

Kanemaru: The first prerequisite for a power shift is to maintain a certain degree of consistency in basic policies, such as education, defense, and foreign policy. The JSP cannot have a single-party cabinet when it can only support a single candidate in an electoral district. I think a coalition government will be weak, because it is made up of people with varied views. The JSP will need a resolve to form a single-party cabinet before it can realize a change in power.

[TOKYO SHIMBUN] Would you take a decisive step to divide the LDP in two?

Kanemaru: It is a possible line of thinking to divide the conservative forces in two, but how? Should we divide both the opposition and the conservative forces into halves at the same time? Or into thirds? It is not a good idea to mechanically divide parties which have different views.

[TOKYO SHIMBUN] I feel the present composition of the ruling and opposition parties has reached its limit. Do you?

Kanemaru: I think so too.

[TOKYO SHIMBUN] It is now difficult for the LDP to make all the moves. Right?

Kanemaru: I think you are right. It is up to the young politicians to search and figure out new ways.

[TOKYO SHIMBUN] Do you recognize a noble spirit in young politicians?

Kanemaru: Speaking of youth, Secretary General Ozawa is 47 years old, for instance. He is not less competent than any former secretaries general. Young people are capable. Old people like to say: "Young people nowadays..." which makes me laugh. I have no role to play anymore.

[TOKYO SHIMBUN] While we are speaking of youth, isn't Prime Minister Kaifu also young?

Kanemaru: I said to the prime minister that he has to make the final decision; therefore, he should not make various remarks before a decision is reached. I told him that he should risk his political life when he makes decisions, and he can never go back on his word. A prime minister or a warrior should not talk too much and then back off when things go wrong. Otherwise politics will be shaky. If a husband is not dependable, his wife will have a tough time.

[TOKYO SHIMBUN] How about the three new leaders—Abe, Miyazawa, and Watanabe?

Kanemaru: I guess they are players, too. But their presence should not threaten the office of the incumbent prime minister. We are all responsible for having named him in the Diet. He is the prime minister representing the LDP. It will be utterly base and unfair for anyone to watch for an opportunity to drag the prime minister from office. It would be against the interests of the people.

[TOKYO SHIMBUN] Political reform does not seem to be making any progress in dissolving factions, decreasing political contributions, and reforming the election system. What do you think?

Kanemaru: I am not promoting factionism, but we won this election because of the factions. It is bad to spend too much money on elections, because persons without money will not be able to become politicians. However, this is a very difficult problem to correct. Moreover, reform of the election system will not be easy, because it involves conflicts of interests among politicians. In my opinion the bicameral system itself is the problem. An extension allowed in the lower house is not allowed in the the upper house. I would like to see the revival of the Ryokufukai [an independent conservative group in the upper house, abolished in 1965] in the upper house again.

* Kanemaru Works To Resolve Diet Impasse

WA0504035890 Tokyo ASAHI SHIMBUN in Japanese 19 Mar 90 p 2—FOR OFFICIAL USE ONLY

[Unattributed article in the "Turbulence" feature: "Man Behind the Scenes Prepares for Action To Break Diet Deadlock"]

[Text] On the evening of 13 March, former Socialist Party [JSP] General Secretary Makoto Tanabe, Komeito Vice Chairman Naohiko Okubo, and Democratic Socialist Party [DSP] chairman Eiichi Nagasue gathered around Shin Kanemaru, chairman of the Liberal Democratic Party's [LDP] Takeshita faction, at a Japanese restaurant in Mukojima, Tokyo. These four men have met often since they were chairmen of the Diet policy committees of their respective parties. After talking for a while, LDP Secretary General Ichiro Ozawa was introduced by Kanemaru and joined the group. When they touched on the subject of ineffective Diet activities, someone teased Ozawa: "For a young secretary general, you are very tenacious." Ozawa, who is 47 years old, replied: "I just follow what Mr. Kanemaru says." His statement made Kanemaru beam with joy.

Both Kanemaru and former Prime Minister Noboru Takeshita have the same grandchildren. [Kanemaru's eldest son married Takeshita's eldest daughter] Mr. Takeshita and Mr. Ozawa are also related by marriage. Takeshita feels strongly: "The LDP still needs Shintaro Abe and me to sustain it." However, it seems that Kanemaru, who believes in a generational shift, would like to secure a firm footing for the future "Ozawa administration" while he is still active. According to Kanemaru's close associates, "in order not to interfere with Secretary General Ozawa's actions," Kanemaru is holding back his opinions on political reshuffling and further revision of the consumption tax, which he repeatedly lectured on during the general election.

Secretary General Ozawa's pressing task is how to manage the Diet situation under the "distorted" phenomenon of the LDP's majority in the lower house and its minority status in the upper house. Kanemaru, asked by Ozawa for his advice, supported Ozawa's hardline stance: "If the results will be the same whether you take forceful or passive actions, then it is better to take a strong position." Nevertheless, he always says "compromise is the essence of politics" and worries about unavoidable antagonisms between the ruling and opposition parties. He urges core members of the Takeshita faction in the Diet Policy Committee to "put their heads together" to search for ways to break the Diet deadlock.

Ozawa is enthused about forming a "new framework in the Diet for the ruling and opposition parties," and has in mind a dialogue with Komeito. Kanemaru, on the other hand, has always spoken of "talking with the Socialist Party first." On this point Kanemaru has yielded to Ozawa, but he fears "the Diet will eventually come to an impasse even after the revised budget is passed."

To be ready for his role in the Diet impasse, Kanemaru is preparing to move closer to his close friends in the JSP, such as Tanabe. He sides with Tanabe, who has a passion to improve relations with North Korea, and says that he is "willing to go to North Korea anytime if necessary" to negotiate the release of two Japanese seamen of No. 18 Fujisanmaru, who have been detained there.

It appears that Prime Minister Toshiki Kaifu also telephones Kanemaru occasionally. Kanemaru encouraged Kaifu: "I am not thinking of easing you out of power, so do as you please." But on the other hand, he told others: "If we fall into political bankruptcy, then it's different." He also shies away from political reform.

Recently, there have been an increasing number of requests by the foreign media to interview Kanemaru, perhaps due to his influential status as an LDP faction boss and his strong connections with the opposition parties. Although Kanemaru claims that he is an "uncrowned actor," his spirit and his desire for action seem to persist.

JCP Demands Structural Talks 'Stop at Once'

OW0604102590 Tokyo JPS in English 0857 GMT 6 Apr 90—FOR OFFICIAL USE ONLY

[Text] Tokyo Apr 6 JAPAN PRESS SERVICE [dateline as received]—The Japanese Communist Party [JCP] issued a statement on April 5, demanding that Japan-U.S. economic structural talks stop at once. The statement was released by Mitsuhiro Kaneko, head of the Secretariat of the JCP. The text of the statement follows:

1. The Japan-U.S. Structural Impediment Initiative [SII] talks have brought to light the abnormal U.S. interference into the Japanese internal affairs and the Kaifu cabinet's bottomless subservience to the U.S.

The focal issues of the abolition or revision of the Large-Scale Retail Stores Law, expansion of public investment, the Anti-Monopoly Law, as well as land policy and the systematization of enterprises are pure internal affairs of Japan, which would exert serious influences on the people's living and the Japanese economy. These matters must neither be called into question as the violation of international trade agreements nor come up on the agenda of diplomatic negotiations at all. But the U.S. placed them on the agenda in Japan-U.S. negotiations and has gone so far as to demand a budget compilation and revision of laws. The U.S. pressure on Japan to do what its federal government itself could not force its states, over two hundred items, is a blatant interference into Japan's internal affairs. These measures, even when they are actually taken, would not help to improve U.S. trade balance. This strong-arm great-power chauvinist imposition that encroaches upon Japan's sovereignty should not be approved.

This unreasonable interference by the U.S. into Japan's internal affairs takes its root from the Japan-U.S. Security Treaty (military alliance). It is very serious that the Kaifu cabinet fully obeys to this without a word of protest. The Japanese Communist Party demands that these Japan-U.S. SII talks stop at once.

2. As a cloak to cover its interference into Japan's internal affairs, the U.S. side is making a campaign that it serves the "interests of the Japanese consumers". The nub of the Japan-U.S. SII talks is none other than severe contests over rights and interests between monopoly capital and giant enterprises of Japan and the U.S. and their brazen pursuit of monopoly interests, trampling on "the consumers' interests".

On the abolition and revision of Large-Scale Retail Stores Law: To lift the controls on building big stores by either Japan-based or foreign-based big capital by way of abolishing or revising the Large-Scale Retail Stores Law, would give rise to life or death question to medium and small retail shops. The possible depressed sale in shopping streets will certainly exert various adverse influence on people of the district. Some people say that they welcome the talks as long as it leads to lower prices. But a survey by Tokyo metropolitan government in this February shows that the prices at large supermarkets are by no means lower than those at medium and small retail shops, especially in the prices for perishable foods.

On the expansion of public investment: The high-sounding U.S. call for stronger measures against high prices of land and more investment in housing and other public works for social services is a cover to hide the top priority given to the pursuits of the interests of giant enterprises of Japan and the U.S. The so-called measures against high land prices aim at higher property taxes, abolition of control over prices from land speculation, and further at an evisceration of land and building lease laws. On the "public investment", what the U.S. is specifically interested is Japan-U.S. common projects for urban and commercial re-development and limiting of local governments claims to developers for the release of public land, rather than sewage and housing listed for name's sake.

On the distribution of commodities: Food safety essential to the defense of the people's living and health is ignored with such proposals as inspection-free passage through customs for regular imports by big trading companies and omission of some inspection on imported agricultural products to facilitate import.

3. Root cause in both Japan and the U.S. should be removed for a true resolution of Japan-U.S. trade imbalances. On the part of the U.S. musts are the reduction of fiscal deficits and control over self-centered behaviors of multi-national corporations. On the side of Japan, what is needed is to remedy the fundamental structures of low wages, long working hours and excessive intensification of work, the sources of strong competitiveness of Japanese big enterprises. The Japan-U.S. talks, have failed to touch these root causes. The JCP strongly demands a change to an independent economic diplomacy for a stabilized development of the Japanese economy and the people's living.

JCP Issues Statement on SII Interim Report

OW0604113190 Tokyo JPS in English 0930 GMT 6 Apr 90—FOR OFFICIAL USE ONLY

[Text] Tokyo Apr 6 JPS—On the "interim report" of the Japan-U.S. structural impediment talks, the Japanese Communist Party [JCP] issued a statement on April 6. It was published by Mitsuhiro Kaneko, head of the Secretariat of the JCP. The text of the statement follows:

1. The "interim report" of the Japan-U.S. Structural Impediment Initiative [SII] talks has brought to light the abnormal U.S. interference in Japan's internal affairs and the Kaifu cabinet's limitless subservience to the U.S. The Large-Scale Retail Stores Law and public investment are purely internal matters and should not come up on the agenda of diplomatic negotiations at all. The U.S. government, counting on the unchanging subordination of the Liberal Democratic Party government to the U.S., has pressed Japan to act on some 200 items. The U.S. federal government could not even force its own states to act on such matters. This is brazen interference and intervention in Japan's internal affairs. It is clear that the U.S. position is based on the Japan-U.S. Security Treaty with its provisions for Japan's economic cooperation with the U.S. The acceptance by the Kaifu cabinet of this unreasonable interference should never be condoned. The Japanese Communist Party demands that the "interim report" be withdrawn and that the Japan-U.S. economic structural talks be called off.

2. The abolition and revision of the Large-Scale Retail Stores Law would pave the way for domestic and overseas big capital and big enterprises to freely build large-scale retail stores and for the strong to prey on the weak. This would mean a life-or-death situation for medium and small retail shops. Far from the defense of the "consumers' interests", this would bring about depressed activity in business streets all over the country and exert immeasurable adverse influence on local economies. The U.S. requests on the land price question are contrary to the Japanese people's interests, by calling for the promotion of exclusive concentration of economic activity in Tokyo, higher property taxes, abolition of supervisory control over land prices, and revision for the worse of the land and building lease laws. This would mean once again the nightmares of the 1970s with inflation, soaring land prices and bankruptcy in national finance.

3. The "interim report" totally fails to touch the root cause of Japan-U.S. trade imbalances, viz., U.S. fiscal deficits and self-centered behavior of the U.S. multinational corporations, and the structure of low wages, long working hours and excessive intensification of work on the part of Japan. It is clear that the U.S. will use this "interim report" as a lever to force Japan into concessions one after another, which would only reproduce more frictions. The JCP strongly demands a change to an independent economic diplomacy for a stable development of the Japanese economy and an improvement in the people's living standards.

JCP Article on Lithuania Sent to Gorbachev

OW1304102790 Tokyo JPS in English 0917 GMT 13 Apr 90—FOR OFFICIAL USE ONLY

[Text] Tokyo Apr 13 JPS—The Central Committee [CC] of the Japanese Communist Party [JCP] sent to the Soviet President Gorbachev and the Communist Party of the Soviet Union a JCP article on the question of Lithuania and the other Baltic states, with a written representation calling for the correct Soviet response on the question.

The JCP article published on April 3 is entitled "The Principles of Scientific Socialism and the Question of the Three Baltic States—Focusing on the Situation of Lithuania."

The Japanese text of the article and its English translation plus the written representation were handed to Nikolay A. Sirenko, counselor of the Soviet Embassy in Tokyo, by Masana Wada, member of the JCP CC, on April 12.

Efforts To Change International Image Urged

OW0904010390 Tokyo THE JAPAN ECONOMIC JOURNAL in English 7 Apr 90 p 3—FOR OFFICIAL USE ONLY

[Commentary by Yasuhiro Tase, NIHON KEIZAI SHIMBUN senior staff writer: "Japan Must Overcome Its Persecution Paranoia"]

[Text] Japan must change its ongoing persecution complex to solve mounting bilateral trade issues with the U.S.

Japan seems to be taking the stance that it is being persecuted and victimized by the U.S. over the present Structural Impediments Initiative (SII) talks. And Prime Minister Toshiki Kaifu is trying to solve the SII issues politically, through "drastic concessions" to the U.S. This tactic represents no change from the past and is at best a stopgap measure.

The Kaifu administration views the SII talks as the biggest national crisis since the visit of the fleet of Commodore Perry in 1853. The mindset that the Japanese are being victimized has pushed Japan to take frantic steps to understand the real intentions of the U.S. For example, former Prime Minister Noboru Takeshita made a serious mistake in visiting the U.S. in early March. His trip followed that of Kaifu 10 days before.

In a one-hour talk with Takeshita on March 12, President George Bush welcomed him as if he still were prime minister, which some people claim he is, not in name but in the amount of power he wields behind the scenes.

Then, in a separate meeting, U.S. Secretary of State James Baker presented a position paper which stipulated more than 200 U.S. demands upon Japan, ranging from trade issues to defense. Baker strongly urged Takeshita to accept most of the U.S. demands, but he refused.

This treatment demonstrated that the Bush administration regards Takeshita, who heads the largest and most powerful faction of the ruling Liberal Democratic Party, as holding sway over Kaifu. In contrast, visiting former leaders of the UK and France have not been received in such a way.

Takeshita's trip served to unwittingly endorse the recent U.S. "revisionist" view that Japan's decision-making process is unclear and not well developed.

In recent years, so-called revisionists like James Fallows of the Atlantic Monthly have argued that Japan is a special country which does not observe established political rules of Western democracies, and must be treated accordingly. This different treatment was reflected in Takeshita's reception in Washington.

Japan has considered the SII talks "an unfortunate matter" from the start. Kaifu administration officials never expected issues that could lead to drastic changes in Japanese society to be placed on the SII bargaining table, as appears to be happening.

In order for such issues as structural impediments to be resolved, Japan must first come to know itself better. As former U.S. Ambassador to Tokyo Edwin Reischauer said, Japan may not yet fully realize that it has become an economic superpower, and therefore is still acting as a poor or developed nation might. This must stop.

The fact that many ordinary Japanese do not yet feel or act as if they are affluent supports Reischauer's view that it is Japan itself that is affluent, and not its citizens. The observation is based on the nation's social structure.

For example, an ordinary wage earner must pay six to seven times his annual salary to buy a house, effectively quashing the dream of home ownership for many people. Roads and streets are crammed with cars, putting parking at a premium. And just one golf-course membership near Tokyo costs more than it would to buy an entire golf course in the U.S.

There is also a growing gap between the haves and have-nots. The rush to buy homes and stocks has created a society that is more interested in accumulating money than in helping fellow citizens. Yet Japan should know that in an international society, such a money-oriented outlook is not respected. Japanese should work for more lofty goals than money in order to be respected internationally.

When Namibia's independence ceremony was held last month, almost all Western nations sent their foreign ministers as representatives. But Japanese Foreign Minister Taro Nakayama stayed home to attend to Diet business, and an ambassador was sent in his place. This is to be regretted as it dashed a perfect opportunity for Japan to show its strong support for the world's newest nation.

We Japanese have a lot to do to solve bilateral friction with the U.S. as well as other international issues. It is about time for us to get moving.

* Youth Population Growth Rate at Record Low

WA0411O300 Tokyo ASAHI SHIMBUN in Japanese 30 Mar 90 p 1—FOR OFFICIAL USE ONLY

[Text] On 29 March the Management and Coordination Agency published a population estimate as of 1 October 1989. The total population increased by 470,000 over 1988, to 123,255,000. The rate of population growth is 0.38 percent, which is 0.04 lower than in 1988, setting a new record low for growth since the end of World War II. The proportion of juveniles age 14 and under and of adults age 65 and over in the population is 18.8 percent and 11.6 percent respectively. These are record low and record high figures since the first census was taken in 1920.

The population estimate is based on a census held every 5 years and is calculated by using the number of births, deaths, and so forth. Included in the count are all those who have resided in Japan for 3 months or more, irrespective of citizenship.

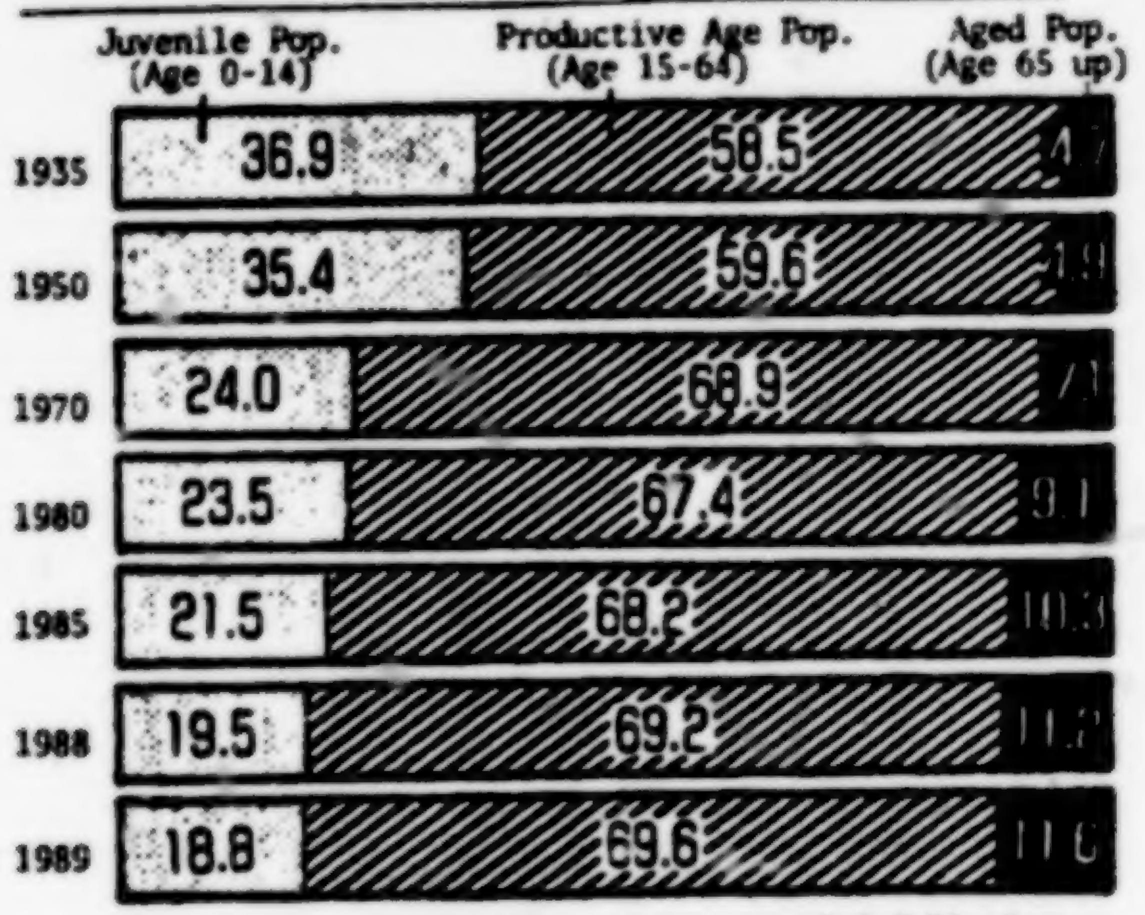
Of the total population, 60,580,000 are male and 62,670,000 female. The population growth of 470,000 is 50,000 smaller than in 1988.

Broken down by generations, the population of juveniles (age 0 to 14) is 23,200,000; that of productive-age persons (age 15 to 64) is 85,740,000; and that of the elderly (age 65 and over) is 14,310,000.

Although the juvenile population has been decreasing steadily since 1965, in contrast the elderly population has continued to grow, indicating a progressively aging population.

Breaking down the rate of population growth by prefecture, Saitama was first with 1.76 percent, Chiba was next with 1.48, then Shiga with 1.30, Nara with 1.27, and Kanagawa with 1.11 percent. On the other hand, Aomori, Akita, and Nagasaki Prefectures had large decreases. Tokyo continued to decline for the second year in a row. Osaka experienced a decline for the first time, while 18 prefectures had decreases.

CHANGES IN PORTION OF TOTAL POPULATION OCCUPIED BY EACH AGE GROUP



(Figures are percentages and are rounded following the decimal point)

Estimated Population by Prefecture (as of 1 October 1989)

	Population (1,000)	Increase (%)
National	123,255	0.38
Hokkaido	5,670	-0.02
Aomori	1,502	-0.50
Iwate	1,419	-0.32
Miyagi	2,236	0.66
Akita	1,234	-0.43
Yamagata	1,260	-0.12
Fukushima	2,099	0.21
Ibaraki	2,821	0.97
Tochigi	1,915	0.60
Gumma	1,955	0.46
Saitama	6,290	1.76
Chiba	5,471	1.48
Tokyo	11,885	-0.04
Kanagawa	7,846	1.11
Niigata	2,481	0.04
Toyama	1,121	0.06
Ishikawa	1,161	0.19
Fukui	823	0.10
Yamanashi	849	0.44
Nagano	2,157	0.21
Gifu	2,059	0.34
Shizuoka	3,652	0.46
Aichi	6,628	0.57
Mie	1,784	0.62
Shiga	1,208	1.30
Kyoto	2,606	0.03
Osaka	8,747	-0.04
Hyogo	5,380	0.57
Nara	1,370	1.27
Wakayama	1,081	0.01
Tottori	618	0.01
Shimane	789	-0.33
Okayama	1,931	0.11
Hiroshima	2,853	0.23
Yamaguchi	1,588	-0.28
Tokushima	834	-0.11
Kagawa	1,027	-0.03
Ehime	1,525	-0.10
Kochi	832	-0.30
Fukuoka	4,790	0.40
Saga	880	-0.09
Nagasaki	1,577	-0.43
Kumamoto	1,848	0.02
Oita	1,243	-0.22
Miyazaki	1,176	-0.03
Kagoshima	1,810	-0.27
Okinawa	1,222	0.73

President on Desire for Trade Pact With U.S.

OW0804144290 Tokyo ASAHI SHIMBUN in Japanese 8 Apr 90 Morning Edition p 7—FOR OFFICIAL USE ONLY

["Summary" of an interview with Punsalmaagiyn Ochirbat, president of the Mongolian People's Great Hural Presidium, in Ulaanbaatar by ASAHI correspondent Yokobori on the afternoon of 7 April]

[Text] **Politics**

Socialism: The image of socialism is being improved now. What we mean by socialism is humanistic and democratic socialism. However, socialism will never be abandoned.

Presidential system: We intend to promote a large-scale reform of the political system. What we have in mind is a political system composed of the People's Hural, a small People's Standing Conference, and the president. This is now being discussed by the whole nation. In our country, the practice is that eligible voters will recommend candidates. And, in my opinion, there will be more than one candidate for president. I think there will be several candidates. If my name should be among them, I will do my best to be elected.

Election schedules: We would like to hold the election in late July. And through this election, a new People's Hural will be created. Then the presidential election will be held within a month. It will be held in August at the earliest.

Opposition demand for direct election: According to the bill now under deliberation, the election for the People's Hural will be held first, and then, the People's Hural will hold elections for the Small Standing Conference and the president. This bill is still under deliberation. And through the deliberations, it will be decided whether direct or indirect election should be held.

Change of power: No matter which political party should win in the election, I don't think there will be any big changes to the current system. All political parties share the same opinions on the multiparty system and the reform of political system. Of course, the party which wins the most seats in the election will come into power. However, no opposition party will, for the time being, take the lead in pursuing capitalism. And we will not allow it to happen.

Economy

Planned economy and market mechanism: In Mongolian economy, the state ownership occupies an overwhelmingly important role. In this sense, we have a high evaluation of the role and meaning of planned economy. Mongolia imports quite a large amount of production means and products from foreign nations. The amount of imports is one of the reasons why economy is to be developed under concentrated plans. We would like to build an economy with many types of ownerships, including state ownership, ownership by cooperative associations, and also ownership by joint ventures. In doing so, the economy will have increasing influence on market mechanism. We would like to introduce a new system at state-run enterprises so that 70 to 80 percent of productivity will be used on production based on the state plan while the remaining 20 to 30 percent will be used on producing commodities that will go directly into market. We would like to skillfully coordinate planned economy with the market principle.

Diplomacy

Nonalignment policy: We would like to improve our economic and trade relations with China, the Soviet Union, East European nations, and Western nations. It does not mean that we will pursue neutrality but the nonalignment policy. We have an agreement on friendly cooperation with the Soviet Union, and also with China. And we would like to faithfully abide by these agreements.

Relations with the Soviet Union: We are consulting with the Soviet Union on the debt issue now. I think this problem will probably be settled. Since the world is changing all the time, our friendly relations with the Soviet Union may change too. However, there will be no changes in further improving our friendly relations.

Relations with China: I think Mr. Deng Xiaoping has pursued correct policies and taken correct measures in overcoming China's economic crisis. (In replying to a question if he also means the policy concerning the Tiananmen incident.) No, it is not included. The Tiananmen incident is China's domestic affair. We maintain good-neighborly relations with China, including the Inner Mongolia, and we intend to further promote such relations in the future.

Relations with the Western Bloc: We have established diplomatic relations with the United States, and it was a very important step in promoting development in various fields, including politics, economy, and trade. We would like to conclude a trade agreement with the U.S. Government. Based on the same idea, we have established diplomatic relations with the ROK. We have maintained friendly relations with the DPRK (North Korea) for many years, and we have maintained extensive trade and economic relations with them. In the future, we intend to maintain such relations as long as possible.

Requests for Japan: We hope that Japan would take positive steps to expand economic and trade relations with us. For example, we have asked for joint survey and development of rare metal resources which is under consultations now, and also for exploitation of zinc and quartz. We need excellent technology, including the technology on satellite communications through Intelsat. And we hope that the Japanese Government will increase its aid in gratuitous funds. With this aid, we would like to improve the people's livelihood in Mongolia, and also settle various social problems.

Democratic Union Leader Addresses MDP Congress

OW0904182790 Ulaanbaatar MONTSAME in English to BAKHTAR Kabul 1756 GMT 9 Apr 90—FOR OFFICIAL USE ONLY

[Text] Ulaanbaatar, April 9 (OANA-MONTSAME)—Sanjaasurengiyn Dzorig, chief coordinator of the Mongolian Democratic Union [as received] (MDA), made a co-report to the first congress of the Mongolian Democratic Party [MDP], which was founded some 45 days [ago] out of the ranks of the MDA.

His 13-page report, S. Dzorig divided into three parts, having analyzed the Eighth Five-Year Plan (1986-1990), Mongol-Soviet relations, and the theoretical grounds of the latest MPRP [Mongolian People's Revolutionary Party] program.

S. Dzorig stated that the highest party-government leadership "did not understand" that there is crisis in the country (according to the MDP, the last ten years) and continues to prove that new and fresh achievements have been achieved in the socio-economic development," thus "cheating not only itself but the public, including the intelligentsia." During the days of such a terrible delusion, the delegates to the party congresses and deputies of the MPR Great People's Hural approved unanimously both the Seventh and Eighth Five-Year Plans of "flourishment," he noted.

Comparing the figures of these two five-year plans, he blamed the ruling party, and the government formed by it, for copying Soviet "policy of acceleration," reducing the rates of economic growth, the level of labor productivity, and economic efficiency, and for incompetent holding of financial, investment, foreign trade, and social policy.

"The most deplorable fact is that the delegates of the congress of the ruling party and the deputies of the MPR People's Great Hural did not know and did not want to know and let the other to understand why the socio-economic plans," the MDA leader stated. [sentence as received]

Speaking about the relations between the MPR and the USSR, he said that it was very important to differ the friendship of the two poeples from the understanding of "Mongol-Soviet relations, saturated fully with Stalinism" since the 1930's. Stalinism and neo-Stalinism caused fatal consequences to Mongolia's economy. It is becoming obvious today that the efficiency of Mongol-Soviet economic cooperation was completely unsatisfactory. And this is one of [the] radical reasons for the crisis in the country, S. Dzorig noted.

He stated that at the present period of restructuring, the MDA and MDP would carry out consistent policy aimed at renewing Mongol-Soviet relations.

From the rostrum of the MDP congress, the association and the party state with confidence that they will stand for that [as received] the anti-Stalinism should not in any extent be understood as anti-Sovietism and Mongol-Soviet relations based on neo-Stalinist principles is the notion quite different from centuries' old friendship of Mongol-Soviet peoples, S. Dzorig pointed out.

But analyzing the aims of the fourth MPRP program, adopted in 1966, S. Dzorig stated that from the theoretical point of view, it was absolutely insufficiently considered to narrow the framework of the party general line to the only process of founding the material-technical base and turning Mongolia into an industrial-agrarian country.

Comparing the statements by party and government leaders at party congresses during the last 20 and a half years, the MDA leader emphasized the contradictory use by them of the terms, notions, and categories.

Noting that the attempt of defining large-scale political goals and tasks without profound political and theoretical knowledge frustrates the prestige of the party program as well as the party, S, Dzorig called on all MDA and MDP members to persistently raise their poilitcal and theoretical education.

28-year-old S. Dzorig, graduate from the Moscow State University, then the teacher of scientific communism at the Mongolian State Univeristy, is now a post-graduate student at the Mongolian State University. His candidate thesis is "The Improvement of the Political System in the MPR in Current Conditions."

Democratic Party Leader Speaks

OW0904172190 Ulaanbaatar MONTSAME in English to BAKHTAR Kabul 1630 GMT 9 Apr 90—FOR OFFICIAL USE ONLY

[Text] Ulaanbaatar, April 9 (OANA-MONTSAME)—It is the second time in the last 300 years that the country found itself under oppression of alien states. The Mongols are now provided with a chance to revive their statehood, E. Batuul, leader of the Mongolian Democratic Party (MDP), stated at the first congress of the MDP, opened on April 8 in the Mongolian capital. He made a political report to the congress.

The national liberation movement of 1911 was called by E. Batuul as the first case and the "events of 1921" as its second stage. According to the MDP leader, today in the country "the struggle for full independence of Mongolia" is launched. Concerning the history of the country since 1921 and the experience of mutual relations between the MPRP [Mongolian People's Revolutionary Party] on one hand, and the CPSU and Comintern on the other, E. Batuul proposed to "the highest Soviet leadership to draw out principle conclusions and ask the Mongolian people's pardon for Stalinism, imposed by force on the country."

And during the subsequent years of the new history of the country "it did not have the possibility to pursue the policy of independent state. Through the Council of Mutual Economic Assistance (CMEA) ineffective economic cooperation was imposed on Mongolia depriving her of the possibility to create the complex of full value of national economy and making all branches dependent on other countries," E. Batuul noted.

The MDP leader qualified the stationing of Soviet military bases on the territory of the country as the factor of destabilizing and aggravating the military and political situation in the Asia-Pacific region. At the same time, he stated that the MDP would never deny the friendship between the Mongolian and Soviet peoples, "strengthened by the blood of the best sons and daughters." The MDP will make all efforts for establishing genuinely equitable and friendly relations between the countries and peoples, E. Batuul said.

Concerning the mutual relations with the ruling party (MPRP), he pointed out that the MDP greeted the sound forces in the MPRP who work for the party renewal and expressed hope that the forthcoming extraordinary MPRP congress would become for it a historical event. He called the present party and state leadership system "a party and state fusion, defending the interests of a foreign state and the class of privileged leaders and is in opposition to the democratic revolution."

Speaking about economic problems of the country, E. Batuul noted that "of principal significance are the constant eradication of misrepresentation in basic relations of socio-economic formation and creation of favorable conditions for that objective economic laws start acting and introducing a comprehensive socio-economic mechanism in order to take the country out of economic crisis." [sentence as received]

E. Batuul informed that the MDP worked out a program of "raising the living standards of the people" and "ensuring spiritual and cultural development."

The MDP worked out the foreign political course in accordance with the basis of its task of turning Mongolia into a genuinely independent state and including it into the general tendency of the world development. The foundation stone of the MDP foreign policy is the neutrality, the MDP leader stated.

Religion Discussed

OW0904194090 Ulaanbaatar MONTSAME in English to BAKHTAR Kabul 1842 GMT 9 Apr 90—FOR OFFICIAL USE ONLY

[Text] Ulaanbaatar, April 9 (OANA-MONTSAME)—G. Chuluunbat [name as received], a member of the Mongolian Democratic Party (MDP) Political Consultative Center, reporting at the first MDP congress, said that one of the multilateral ideological activities of his party would be directed at reviving Buddhism, keeping with the demands of law and norms of a law-governed state and having an aim to emancipate people from a spiritual crisis, especially for the solution of the children and youths education, protection of nature and environment, improvement of economic culture of the population, and for asserting norms of human life.

The renewed interaction of state and religion in the society, the report stresses, would meet the interests of the country. The religion will contribute to strengthening friendly relations with the traditional neighboring countries, will promote national unity and building of a civilized state, which will conduct a neutral policy.

MPRP's [Mongolian People's Revolutionary Party] policy of dividing religion and school the MDP qualifies as a historical error and a crime against the minds and hearts of the people. The MDP considers it necessary to judicially guarantee the right of the nationals so that their children would attend religious schools as well as include religious lessons into curriculum of school and preschool education.

Clergymen should be guaranteed with a right to enter political parties according to their convictions, elect and be elected to the hurals of people's deputies of all levels. The MDP will not not use religion as a political factor. "Our party will regard religion as a community of mercifulness," said G. Chuluunbat.

Democracy Movement Sets Up Women's Organizations

OW0404131490 Ulaanbaatar MONTSAME in English to BAKHTAR Kabul 0550 GMT 4 Apr 90—FOR OFFICIAL USE ONLY

[Text] Ulaanbaatar, April 3. (OANA-MONTSAME)—The Movement for Democratization, under way in Mongolia against the background of the process of restructuring and renovation, that is gaining momentum with every passing day, did not avoid the women's organization. Two voluntary women's organizations were recently set up, which are alternative to the Mongolian Women's Committee (MWC). One of these two organizations, the Free Democratic Union of Mongolian Women (FDUMW) has recently handed to the MWC Presidium a petition demanding the resignation of the committee leadership and a call for an extraordinary congress of the MWC in order to resolve urgent tasks facing the women's organizations. The FDUMW, like an Unitive Group of the Progressive Movement of Women (UGPRW), works for the democratization of the activities of women's organizations.

At a dialogue of the MWC Presidium members with representatives of these alternative organizations, an official relpy was provided to the petition of the Free Democratic Union of Women. The document says that the plenum of the MWC is to be held soon to discuss organizational matters and the question of setting up an enlarged commission on preparation for the Sixth Congress of Mongolian Women.

The participants in the dialogue exchanged views on the issues of perfecting the activities of the women's organizations, turning them into the real bodies defending the interests of mothers and children, as well as all women of Mongolia.

The sides came to the principle agreement on the need of carrying out structural and organizational renovation in women's organizations in order to turn the MWC into the Democratic Union of Mongolian Women and expressed readiness to cooperate in this direction.

Discontent Over 1981 Secret Concession to USSR

OW0504025490 Ulaabaaatar MONTSAME in English to BAKHTAR Kabul 1329 GMT 4 Apr 90—FOR OFFICIAL USE ONLY

[Text] Ulaanbaatar, April 4 (OANA-MONTSAME)—A group, consisting of Mongolian and Soviet journalists; Mongolian Foriegn Ministry officials; Soviet Embassy diplomats; and functionaries from Mongolian ministries, Public Procurator's Office, new political forces and of the National Commission on Nuclear Energy has visited the "Erdes" ore dressing mine in the northeast of the country situated 280 km away of Mongol-Soviet border. The ore dressing mine is located in Marday in Dashbaldar Soum of Dornot Province and was given in 1981 as a concession to the Soviet side.

The group has been acquainted with an open method of extracting uranium. Two ore mines were closed; one of them has been laid up by method of flooding. Along with quarry and mines the group attended additional production projects and the town's infrastructure where the miners and geologists live. A number of Mongolian specialists, 63 altogether live there with their families, controlling manufacturing and extraction processes. Trip to Marday was organized by the Soviet Embassy. Jointly with the Soviet geologists and miners as well as the leaders of Dashbaldar Soum and Dornot Province the group held a "round table" on Marday problems.

Erdes ore in Marday worries Mongolian public since last autumn. Up to that time the sides kept secret about it. Despite the fact that M. Peljee, ex-deputy prime minister of Mongolia reported about it to the deputies of the Great People's Hural and the national daily "UNEN" published a large article on this matter the country's public opinion is not satisfied yet.

Feeling anxiety on possible contamination of locality and people because of open ore extraction and transporting the people demand the 1981 secret concession agreement be made public. According to the rallies of new political forces, the conditions of 1981 agreement does not fit Mongolia.

'Information' on Issues of 10th MPRP Plenum

OW0904150790 Ulaanbaatar MONTSAME in English to BAKHTAR Kabul 1400 GMT 9 Apr 90—FOR OFFICIAL USE ONLY

["Information" on the 10th Plenum of the Mongolian People's Revolutionary Party Central Committee]

[Text] Ulaanbaatar, April 9 (OANA-MONTSAME)—The 10th plenum of the MPRP [Mongolian People's Revolutionary Party] Central committee was held here on April 8, 1990. The plenum discussed the following issues:

1. The report "On the Nearest Tasks of Enhancing and Renewing the Mongolian People's Revolutionary Party (MPRP)," which will be submitted to the extraordinary party congress slated for 10 April 1990.
2. Draft rule of the MPRP.
3. The procedure of elections of central leading bodies of the party at the extraordinary MPRP congress.
4. The setting up of the Commission on Elections of central leading bodies of the party.
5. The information on the outcomes of the work done by the enlarged commission for preparation to the extraordinary party congress.

About 27 people made statements on the questions under discussion. The plenum decided to submit for consideration of the extraordinary MPRP congress the report "On the Nearest Tasks of Enhancing and Renewing the MPRP" and approved G. Ochirbat, MPRP CC [central committee] general secretary, as the reporter. The draft rule of the MPRP will be also submitted to the extraordinary congress.

The plenum formed a commission on elections of the central leading bodies of the party out of delegates of the extraordinary MPRP congress.

N. Mishigdorj, Politbureau member and secretary of the MPRP Central Committee, made a report on the results of the work of enlarged commission for preparation to the extraordinary MPRP congress.

The 10th plenum of the MPRP Central Committee adopted a resolution on the questions discussed. The plenum ended its work on the same day.

Deputy Premier Discusses Economic Restructuring

OW0104024090 Ulaanbaatar MONTSAME in English to BAKHTAR Kabul 1709 GMT 30 Mar 90—FOR OFFICIAL USE ONLY

[Text] Ulaanbaatar, March 30 (OANA-MONTSAME)—The national daily UNEN published B. Sharabsambuu's, deputy prime minister of Mongolia, talk with a MONTSAME correspondent. He was appointed to this post at the recent session of the MPR [Mongolian People's Republic] Great People's Hural and is responsible for the problems of markets and foreign economic relations.

An outdated form of activity of foreign economic relations, internal trade and supplies existed in the period of administrative command system, and does not meet demands of the restructuring underway now in the country. We must change now the marketing mechanism and foreign economic activity for building a self-providing economy able to realize and enlarged independent reporduction, said B. Sharabsambuu. The country's unified market would be viable only under the conditions of mutual advantageous cooperation on new socialism and other countries. This is why utilization of new methods and new mechanisms of economic management acquires paramount importance, he said. Internal and external economic capacity at large should be directed at improving the well-being and cultural standards of the people and at better satisfying the need of the populations, B. Sharabsambuu stated. In the conditions of introducing new economic mechanism, enterprises and economic organisations are striving to double wage funds and fully spend them. [Words indistinct] allowance and wages for low-paid workers increase, individual labor activity, contract and lease relations, develop in rural and urban regions. Such tendency of profiting the population will continue in future.

He pointed out the necessity of rational [words indistinct] between demands and satisfaction of market needed, of holding reciprocal trade, of using contract prices and other levers for enhancing service and production goods.

B. Sharabsambuu necessitated on [as received] expanding cooperation with the Soviet Union, a basic trade and economic partner of Mongolia, of utilising every opportunity to develop trade and economic cooperation with the PRC and CMEA-member countries. Using of priorities of an open economic policy, international distribution of labour as well as of foreign credits to setting up export-purposed productions for ensuring balanced foreign economic relation and trade he called a task of paramount importance. The principle task is to carry out flexible and concrete policy in all spheres of economic life so that to enhance the country's economic potentiality and improve living standards of the Mongolian people, he said [as received].

Ministers Issue Resolution on Communications

OW0604181790 Ulaanbaatar MONTSAME in English to BAKHTAR Kabul 1424 GMT 6 Apr 90—FOR OFFICIAL USE ONLY

[Text] Ulaanbaatar, April 6 (OANA-MONTSAME)—The MPR [Mongolian People's Republic] Council of Ministers has adopted a resolution envisaging the introduction of advanced technology into communications sphere.

The means allocated additionally according to the resolution will help to create technological basis for transmitting national TV programmes all over the country.

D. Togsoo [name as received], deputy communications minister of the MPR, said that the most effective way of providing fully the entire country with TV programmes is, as they at the ministry believe, the use of satellite communications. Since 1979 the country has been receiving Soviet TV programmes through this method.

Today there are favourable possibilities to be joined to the satellite communications system "Asiasat." Very soon the satellite of the "Asiasat" system is to be launched from the territory of China. Our Communications Minister B. Baatar [name as received] has left to agree with the "Asiasat" officials on the possibility of leasing one of the channels of the new satellite, D. Togsoo said.

If the mission of our minister, B. Baatar, is successful, then we will be provided with a possibility to distribute to some centres the national TV programmes in the nearest three years. But the receiving of TV programmes in livestock breeder's suurs (the smallest territorial units consisting of 1-2 families) will depend on the question of their energy supply, D. Togsoo said.

Youth Official Previews 'Extraordinary' Congress

OW0404135090 Ulaanbaatar MONTSAME in English to BAKHTAR Kabul 0555 GMT 4 Apr 90—FOR OFFICIAL USE ONLY

[Text] Ulaanbaatar, April 3. (OANA-MONTSAME)—An extraordinary congress of the Mongolian Revolutionary Youth Union (MRYU) should give an answer to the question "How to renew the MRYU and what it will look like?" It should be a voluntary public political youth organization, said B. Ehnmandah [name as received], MRYU CC secretary, at a press conference held here for journalists.

The main aim of the extraordinary congress, he noted, is the election of new leaders, capable of guiding a new, renewed youth organization and resolving the urgent issues linked with the life and work of the youth of the country.

According to preliminary data, 794 delegates, elected form primary youth union organizations, will take part in the congess. The average age of delegates is 27, and 97.9 percent of them are MRYU members. The congress, to take place on 4-5 April this year, is going to discuss the political report of the MRYU Central Committee, approve the new programme and rules of the youth organization and organizational issues, said B. Ehnmandah.

Revolutionary Youth Union Congress Opens

New Members Attend

OW0504120590 Ulaanbaatar MONTSAME in English to BAKHTAR Kabul 0506 GMT 5 Apr 90—FOR OFFICIAL USE ONLY

[Text] Ulaanbaatar, April 4, (OANA-MONTSAME)—The Mongolian Revolutionary Youth Union (MRYU) started its Extraordinary Congress today in the Mongolian capital with about 800 delegates taking part.

D. Mandah, MRYU CC [Central Committee] first secretary, made a political report. The delegates in the congress will discuss and approve, besides the political report, draft platform, the temporary rule of the MRYU and of the MRYU Control and Auditing Body, and elect new leadership.

The congress is attended by P. Ochirbat, chairman of the Presidium of the MPR [Mongolian People's Republic] People's Great Hural, G. Ochirbat, MPRP CC general secretary and also by representatives of a number of new political parties and movements. The congress continues its work.

Union Secretary Delivers Report

OW0504114390 Ulaanbaatar MONTSAME in English to BAKHTAR Kabul 0508 GMT 4 Apr 90—FOR OFFICIAL USE ONLY

[Text] Ulaanbaatar, April 4, (OANA-MONTSAME)—It is the first time ever for the MRYU [Mongolian Revolutionary Youth Union] members to have had the chance to decide the future of their organization themselves. We do not have a ready-made formula. We should work them out by collective methods, said D. Mandah, MRYU CC first secretary, making a political report at the Extraordinary Congress of the Mongolian Revolutionary Youth Union, which is taking place now in Ulaanbaatar.

He defined the task of the congress as to specify the social function of the MRYU and turn it into a real political force. "We should recognize the fact that there are some indications of crisis in organizational and structural respect and activities of the Revolutionary Youth Union, However, this crisis does not mean the final failure of the MRYU," D. Mandah stated.

Concerning the past history of the MRYU, he accepted with regret that "the MRYU members were in the first ranks of past campaigns on eliminating the cultural heritage of their own people." According to the proposal of the speaker, the congress paid homage to the leaders of the MRYU of past years, who became victims of illegal repression.

According to D. Mandah, first reasons of today's socioeconomic difficulties in the country were not taking into account national specifics, the lack of clear-cut and real definition of the level of the country's development and direct imitation of other socialist countries under the pretext of "common laws of building socialism."

D. Mandah sees the second and third reasons in "the lack of final elaboration of conception of the country's economic development" and "in the existence of state property, which served as an economic basis of the bureaucratic apparatus and in rejecting different forms of property."

Emphasizing the need of renewing the youth organization, the MRYU leader noted that "the future of restructuring in Mongolia directly depends on the youth, as they make up the majority of the population." We have sufficient experience of organizational and ideological work and are sure that the renewed MRYU will promote the demands of time, said D. Mandah.

Concerning the future of the MRYU, he stated that the MRYU will adhere to the united position with the renewed MPRP [Mongolian People's Revolutionary Party], be guided in its activities with the methodology of materialistic dialectics and, in theoretical aspects, lean upon the ideas of scientific communism and act as an independent political force.

D. Mandah pointed out that today it is becoming more important as never before the mutual and just criticism, mutual understanding, cooperation, and dialogue between the MPRP and the MRYU, which are linked with historical ties [sentence as received].

The report contains a number of urgent measures aimed at practical realization of the ideas of renewing the MRYU into life. The congress continues its work.

Son Sann Interviewed on Prospects for Peace

OW0904030790 Tokyo YOMIURI SHIMBUN in Japanese 4 Apr 90 Morning Edition p 5 —FOR OFFICIAL USE ONLY

[By correspondent Ikemura]

[Text] Paris, 3 Apr—In an interview with the YOMIURI SHIMBUN correspondent in Paris on 3 April, Prime Minister Son Sann of the Coalition Government of Democratic Kampuchea (the three-faction coalition government) fighting against the Heng Samrin regime disclosed that "The Phnom Penh Government wants to hold general elections in mid-April" and bitterly criticized the attempt as "an act betraying the UN-led peace process." The prime minister said that his disclosure on the Phnom Penh Government's preparations for the elections is based on "various information supplied by his sympathizers in Cambodia." In the interview, the prime minister pointed out that even illegal Vietnamese settlers and disguised soldiers are being given "identification cards to make them eligible to vote." The Vietnamese settlers and disguised soldiers have become one of the hurdles to the advance of the peace process.

In the interview, the prime minister pointed out that, currently, the Pol Pot faction agrees to three conditions, which include 1) if democratic elections are held, the faction will unconditionally accept their outcome as the people's verdict; 2) if conditions for putting the UN peace proposal into practice are met, the faction will comply with demands for its full disarmament; and 3) the faction accepts the presence of UN peace keeping forces in Cambodia for between five to 10 years. He stressed that the possibility of preventing a resolution of the Cambodian conflict through military confrontation, which the Khmer Rouge is seeking, and of making it possible for the faction to return to power in a democratic and peaceful way, depends on whether Vietnam and the Phnom Penh Government accept the UN peace proposal.

'Exclusive' Interview With Nguyen Van Linh

OW0704160490 Tokyo MAINICHI SHIMBUN in Japanese 6 Apr 90 Morning Edition p 7 —FOR OFFICIAL USE ONLY

[Summary of exclusive interview with Communist Party of Vietnam General Secretary Nguyen Van Linh by Tokuji Hosono, editor of the MAINICHI SHIMBUN Foreign News Department, in Hanoi on 5 April]

[Text] The following is a summary of an exclusive interview with Communist Party of Vietnam General Secretary Nguyen Van Linh:

International Issues

[Hosono] How do you accept the drastic changes taking place in the Soviet Union and Eastern Europe?

[Nguyen Van Linh] All nations have their historical conditions and realistic situations. They must resolve issues in line with the policy they are pursuing. The world socialist system is now faced with serious difficulties, but it is the most developed social system in the history of mankind. I am confident that the system will undoubtedly score victory at last by overcoming the trials and difficulties facing it.

[Hosono] How will changes in the Soviet Union affect Soviet-Vietnamese relations in the future?

[Nguyen Van Linh] The Soviet Union is still carrying out reform to realize true socialism under Communist Party leadership. The reform aims at achieving goals of socialism. The Soviet Union is also hoping for world peace. There is no reason not to maintain good relations with the Soviet Union and we should further develop relations with that country. The Soviet Union is now carrying out perestroyka (restructuring) and we are carrying out doimoi [as published] (reform) in our own way. The two countries are confronted with many similar and different issues.

[Hosono] The Soviet Union set forth plans to cut back on foreign aid. Will this not greatly hurt Vietnam?

[Nguyen Van Linh] There will certainly be an impact. However, we understand that the Soviet Union is in a difficult economic situation. The country will not be able to continue its aid to Vietnam. Although we face difficulties, we have no choice but to overcome them on our own. We want to improve relations with capitalist nations, including Japan.

[Hosono] The Cambodian issue remains deadlocked. How will you deal with the issue?

[Nguyen Van Linh] Vietnamese forces invaded Cambodia to invoke the right of self-defense and to rescue the Cambodian people from genocide (massacre) by the Pol Pot regime. Conferences have been held twice in Jakarta with all parties to the Cambodian conflict attending. The conferences hammered out two decisions as the key to resolving the Cambodian issue. The decisions call for 1) the withdrawal of foreign troops from Cambodia and 2) the prevention of the genocide regime (defunct Pol Pot regime) from returning to power. In compliance with these decisions, Vietnam completely pulled its troops out of Cambodia last September. Therefore, there is only the one issue of how to "prevent the genocidal regime from regaining power." Vietnam supports Cambodia (the Heng Samrin government) intending to build a nonaligned nation pursuing "independence, neutrality, and sovereignty" in peaceful and neutral Southeast Asia. We respect any proposals in which a political solution to the Cambodian issue is sought in such a way that the Cambodian people can exercise their right of self-determination and free, equal, and democratic elections can be held.

[Hosono] Fifteen years have passed since the end of the Vietnam War. What is the prospect for normalizing relations with the United States?

[Nguyen Van Linh] When I have been asked by American reporters the same question, I have answered that "the past is past." We want to have good economic and cultural relations with the American people. However, the U.S. Government still continues its economic blockade against Vietnam, isolating it economically and politically. The United States has claimed that if Vietnamese forces are withdrawn from Cambodia, it would improve relations with Vietnam. However, The United States is asserting that Vietnamese forces still remain in Cambodia despite the complete pullout of our forces from Cambodia. The United States indirectly is helping the Pol Pot faction by providing arms and financial aid to the Sihanouk faction.

[Hosono] What is the prospect for improving relations with China?

[Nguyen Van Linh] We have to build better relations with China as soon as possible. This is desirable for the people of the two countries. However. China is setting the resolution of the Cambodian issue as a precondition for the improvement of relations between the two countries. We cannot accept such a precondition. The Cambodian issue should be resolved by the Cambodian people. In the near future, we will hold talks with China to consult about the Cambodian issue and other international issues. Thailand will join these bilateral talks.

[Hosono] The era of East-West confrontation is about to end following the end to the cold war declared at the U.S.-Soviet summit in Malta last year. If Vietnam continues to stick to its independent line in this drastically changing world, won't the country risk isolation in the international community?

[Nguyen Van Linh] We will hold fast to our line. However, our door is open for building cooperative relations with all nations. If other nations intend to continuously isolate Vietnam, we can do nothing about them.

[Hosono] It is said that "an Asia and Pacific era" has come. What sort of foreign policy are you planning to conduct?

[Nguyen Van Linh] The Asia and Pacific region is witnessing the most vigorous development in the world. Nations in the region should defend their independence and cooperate with each other to achieve further development. Vietnam seeks peace, among other things. We hope to expand friendly and cooperative relations with other nations, including Japan, based on the principles of mutual respect, equality, and mutual benefit—with no other conditions attached.

[Hosono] What about relations with Japan?

[Nguyen Van Linh] We are willing to develop and strengthen relations with Japan. Relations between the two countries have not developed as much as we had hoped. We hope that Japan will play a role as a major world power and carry out its foreign policy commensurate with the reality in the region and other nations.

Domestic Issues

[Hosono] What is the most important achievement during the past 15 years since Vietnam won the war in 1975?

[Nguyen Van Linh] Some nations wanted to see further bloodshed by the Vietnamese people, who have been suffering from the destruction caused by 40 years of war. They wanted to see the collapse of unified Vietnam. However, Vietnam has not collapsed. It has continued to defend its independence. The reform has achieved only minor results, but it has bolstered the confidence of the Vietnamese people in building socialism.

[Hosono] What are the concrete results of the reform?

[Nguyen Van Linh] In the economic area, we have adopted a mixed state and private economic system designed to invigorate state-run enterprises through the introduction of private business. Last year, we not only achieved self-sufficiency in rice, but we were able to export rice. We have concluded contracts with foreign nations on 105 joint ventures amounting to $850 million since the new foreign investment law was enacted two years ago. In the political arena, the relationship between the Communist Party and state organizations is under review. Drafts and various state bills deliberated at the latest party Central Committee plenum were published for the public in an effort to solicit the people's views. The people can state their views to any person or state organizations and file suits against state organizations. Mass media, including newspapers, have created "columns" in which the people can freely state their views.

[Hosono] What is the most important task facing Vietnam?

[Nguyen Van Linh] Aftereffects caused by nearly one century of colonial rule and 40 years of war against France war and against the United States still linger in various aspects of the people's lives. In order to remove these aftereffects, the Sixth Communist Party Congress held in late 1986 decided to launch reform in all areas. Achievements in the past three years represent the correct orientation of the reform. We are resolved to promote the reform in ways appropriate to our situation.

[Hosono] I have heard that some people want the introduction of a multiparty system. How will you promote political democracy?

[Nguyen Van Linh] The reform is a very difficult task to carry out and we have no model. The reform is a complex and long-term revolutionary struggle to be waged in the whole society and by individuals. We will tenaciously promote the reform in all areas, including social and political areas. Among other things, we will place priority on reform of the economy. We will promote reform of politics step by step in a way that it does not cause confusion for the society.